

*In the opinion of Ice Miller LLP, Indianapolis, Indiana ("Bond Counsel"), under existing laws, regulations, judicial decisions and rulings, interest on the Series 2006 Bonds is excludable from gross income under Section 103 of the Internal Revenue Code of 1986, as amended, for federal income tax purposes. Such exclusion is conditioned upon continuing compliance by the Authority and the Corporation, as defined herein, with the Tax Covenants, as defined herein. In the opinion of Bond Counsel, under existing laws, regulations and judicial decisions, interest on the Series 2006 Bonds is exempt from income taxation in the State of Indiana. See information under the caption, "TAX EXEMPTION" herein.*



**GREENWOOD  
VILLAGE SOUTH**

**\$22,000,000**  
**INDIANA HEALTH AND EDUCATIONAL  
FACILITY FINANCING AUTHORITY**  
**Variable Rate Demand Revenue Bonds, Series 2006A**  
**(Greenwood Village South Project)**

Dated: Date of Delivery

Price: 100%  
CUSIP: 454795BN4

Due: May 1, 2036

The Indiana Health and Educational Facility Financing Authority (the "Authority") is issuing its Variable Rate Demand Revenue Bonds, Series 2006A (Greenwood Village South Project) (the "Series 2006 Bonds") pursuant to a Trust Indenture dated as of April 15, 1998, as supplemented and amended by a First Supplemental Trust Indenture dated as of October 1, 2000 and a Second Supplemental Trust Indenture dated as of July 1, 2006 (collectively, the "Indenture") between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). The proceeds of the Series 2006 Bonds will be loaned by the Authority to Westminster Village Greenwood, Inc., d/b/a Greenwood Village South (the "Corporation"), pursuant to a Loan Agreement, Mortgage and Security Agreement dated as of April 15, 1998, as supplemented and amended by a First Supplemental Loan Agreement, Mortgage and Security Agreement dated as of October 1, 2000, a Second Supplemental Loan Agreement, Mortgage and Security Agreement dated as of July 1, 2006, a Third Supplemental Loan Agreement, Mortgage and Security Agreement dated as of July 1, 2006, and a Supplemental Agreement Constituting a Parity Instrument dated as of July 1, 2006 (collectively, the "Loan Agreement" or the "Mortgage"), between the Authority and the Corporation, and will be used to (i) pay for certain capital improvements to the Corporation's facilities, (ii) refund the Authority's Revenue Bonds, Series 2000 (Greenwood Village South Project) (the "Prior Bonds"), (iii) pay capitalized interest and swap payments with respect to a portion of the Series 2006 Bonds, (iv) fund an increase to the debt service reserve fund with respect to the Series 2006 Bonds and (v) pay costs of issuance of the Series 2006 Bonds. The Series 2006 Bonds will be payable from and secured (on a parity with the Series 1998 Bonds, as defined and described herein) by a pledge of payments to be made by the Corporation under the Loan Agreement and the related Series 2006A Note to be issued by the Corporation under the Loan Agreement. The Series 2006A Note will be secured in part by a mortgage on certain real property of the Corporation located in Greenwood, Indiana.

The Series 2006 Bonds will be dated their date of delivery and will bear interest for the period from that date to and including August 2, 2006 at the initial Weekly Rate determined by the Underwriter and thereafter at the Weekly Rate determined by the Remarketing Agent in accordance with the Indenture. Interest on the Series 2006 Bonds will be payable on the first Business Day of each month, commencing August 1, 2006. The Series 2006 Bonds will be issuable as fully registered bonds in Authorized Denominations and may be tendered for purchase on any Business Day at the principal amount thereof plus accrued interest thereon at the option of the holder upon the delivery of a tender notice on a Business Day not less than seven calendar days prior to the Optional Tender Date. The interest rate on the Series 2006 Bonds may be converted to Adjustable Long-Term Rates or to Fixed Interest Rates upon satisfaction of certain conditions, as described herein. The Series 2006 Bonds are subject to mandatory tender for purchase and redemption prior to maturity as described herein.

Payment of the principal of and up to 48 days' interest (at a maximum rate of 8% per annum on the basis of a 365/366-day year) on the Series 2006 Bonds, will be payable from funds drawn on an irrevocable letter of credit (the "Initial Credit Facility") to be issued by Sovereign Bank ("Initial Credit Facility Issuer").



**Sovereign Bank**

The Initial Credit Facility will terminate five years from the date of issuance of the Bonds, subject to prior expiration upon the occurrence of certain specified events described herein, unless otherwise extended as described herein. The Initial Credit Facility will be confirmed by an irrevocable confirmation (the "Confirming Credit Facility") issued by Banco Santander Central Hispano, S.A. (the "Initial Confirming Credit Facility Issuer").

**BANCO SANTANDER CENTRAL HISPANO, S.A.**

The Confirming Credit Facility provides that it will expire on July 25, 2007, unless terminated or extended as described herein. The Confirming Credit Facility provides for serial annual extensions (absent timely notice of non-extension) through July 25, 2011.

THE SERIES 2006 BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE AUTHORITY AND WILL BE PAYABLE SOLELY FROM AND SECURED EXCLUSIVELY BY PAYMENTS, REVENUES AND OTHER AMOUNTS PLEDGED THERETO PURSUANT TO THE INDENTURE AND AMOUNTS DRAWN UNDER THE INITIAL CREDIT FACILITY AND THE CONFIRMING CREDIT FACILITY. THE SERIES 2006 BONDS DO NOT REPRESENT OR CONSTITUTE A DEBT, A LIABILITY OR A GENERAL OR MORAL OBLIGATION OF THE AUTHORITY, THE STATE OF INDIANA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE PROVISIONS OF THE CONSTITUTION OR STATUTES OF THE STATE OF INDIANA OR A PLEDGE OF THE FAITH AND CREDIT OF THE AUTHORITY, THE STATE OF INDIANA OR ANY POLITICAL SUBDIVISION THEREOF OR GRANT TO THE OWNERS THEREOF ANY RIGHT TO HAVE THE AUTHORITY OR THE INDIANA GENERAL ASSEMBLY OR ANY POLITICAL SUBDIVISION OF THE STATE OF INDIANA LEVY ANY TAXES OR APPROPRIATE ANY FUNDS FOR THE PAYMENT OF THE PRINCIPAL THEREOF OR THE INTEREST THEREON. THE AUTHORITY HAS NO TAXING POWER.

The Series 2006 Bonds are offered when, as and if issued by the Authority and received by the Underwriter, subject to prior sale, to withdrawal or modification of the offer without any notice, and to the approval of legality of the Series 2006 Bonds by Ice Miller LLP, Indianapolis, Indiana, Bond Counsel. Certain legal matters will be passed upon for the Authority by its counsel, the Attorney General of the State of Indiana, for the Corporation by its counsel, Louis H. Borgmann, Esq., Indianapolis, Indiana, for the Initial Credit Facility Issuer by its counsel, Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts, for the Confirming Credit Facility Issuer by its internal legal counsel, and for the Underwriter by its counsel, Hall, Render, Killian, Heath & Lyman, PC., Indianapolis, Indiana. For details of the Underwriter's compensation, see "UNDERWRITING" herein. It is expected that the Series 2006 Bonds in definitive form will be available for delivery to The Depository Trust Company, New York, New York, on or about July 25, 2006.

**ZIEGLER CAPITAL MARKETS GROUP**

a division of B.C. Ziegler and Company

## REGARDING USE OF THIS OFFICIAL STATEMENT

No dealer, broker, salesperson or other person has been authorized by the Authority, the Corporation or Ziegler Capital Markets Group (the "Underwriter") to give any information or to make any representations with respect to the Series 2006 Bonds, other than those in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of the Series 2006 Bonds by any person in any state in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the Authority (but only with respect to the Authority), the Corporation, The Depository Trust Company ("DTC"), Sovereign Bank (the "Initial Credit Facility Issuer"), Banco Santander Central Hispano, S.A. (the "Initial Confirming Credit Facility Issuer") and other sources that are believed to be reliable, but the Underwriter does not guarantee the accuracy or completeness of the information and such information is not to be construed as a representation by the Underwriter or, as to information from sources other than the Authority, by the Authority. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances create any implication that there has been no change in the affairs of the Authority, the Corporation, the Initial Credit Facility Issuer or the Initial Confirming Credit Facility Issuer since the date hereof. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

NEITHER THE SERIES 2006 BONDS NOR THE SERIES 2006A NOTE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE SERIES 2006 BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF THE SECURITIES LAWS OF THE STATES, IF ANY, IN WHICH THE SERIES 2006 BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN CERTAIN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2006 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING TRANSACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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## SUMMARY STATEMENT

*The following Summary Statement is subject in all respects to more complete information contained elsewhere in this Official Statement, which should be read in its entirety. The offering of the Series 2006 Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this Summary Statement from the Official Statement or otherwise use it without the entire Official Statement. The order and placement of materials in the Official Statement, including the Appendices, are not to be deemed to be a determination of relevance, materiality or relative importance. All capitalized terms used in this Official Statement that are not otherwise defined herein shall have the meanings ascribed to them in Appendix D.*

### **The Corporation**

Westminster Village Greenwood, Inc., d/b/a Greenwood Village South (the "Corporation"), is an Indiana nonprofit corporation incorporated in 1981. The principal business of the Corporation is owning and operating a retirement facility (the "Facility") for the elderly in a manner designed to satisfy the physical, social and psychological needs of such persons. The Corporation has received a determination letter from the Internal Revenue Service stating that it is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), and is therefore exempt from federal income tax under Section 501(a) of the Code.

The Corporation has retained Life Care Services LLC (the "Manager") to provide day-to-day management of the Facility. The Manager is recognized as a leader in the development and management of retirement communities such as the Facility and currently provides management/marketing/IT services to 82 senior living facilities.

### **The Series 2006 Bonds**

The Series 2006 Bonds are being issued pursuant to the Trust Indenture dated as of April 15, 1998, as supplemented and amended by a First Supplemental Trust Indenture dated as of October 1, 2000 and a Second Supplemental Trust Indenture dated as of July 1, 2006 (collectively, the "Indenture"), between the Authority and U.S. Bank National Association, as trustee under the Indenture (the "Trustee"), for the purpose of providing funds to make a loan to the Corporation, pursuant to the Loan Agreement, Mortgage and Security Agreement dated as of April 15, 1998 (the "Original Mortgage"), as supplemented and amended by a First Supplemental Loan Agreement, Mortgage and Security Agreement dated as of October 1, 2000, a Second Supplemental Loan Agreement, Mortgage and Security Agreement dated as of July 1, 2006, a Third Supplemental Loan Agreement, Mortgage and Security Agreement dated as of July 1, 2006 (the "Third Supplemental Mortgage"), and a Supplemental Agreement Constituting a Parity Instrument dated as of July 1, 2006 to be used (i) pay for certain capital improvements to the Corporation's facilities (the "Project"), (ii) refund the Authority's Revenue Bonds, Series 2000 (Greenwood Village South Project) (the "Prior Bonds"), (iii) pay capitalized interest and swap payments with respect to a portion of the Series 2006 Bonds, (iv) fund an increase to the debt service reserve fund with respect to the Series 2006 Bonds and (v) pay costs of issuance of the Series 2006 Bonds. For a more detailed description of the uses of the proceeds of the Series 2006 Bonds, see "THE PROJECT AND THE PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

### **Security for the Series 2006 Bonds**

The Series 2006 Bonds are limited obligations of the Authority, payable solely from payments made by the Corporation pursuant to the Loan Agreement and the Series 2006A Note. The Series 2006 Bonds are being issued and secured by the Authority on a parity with its Indiana Health Facility Financing Authority Revenue Refunding Bonds, Series 1998 (Greenwood Village South Project) (the "Series 1998 Bonds") issued in an aggregate principal amount of \$15,300,000 of which \$13,225,000 is currently outstanding.

The amounts payable by the Corporation under the Loan Agreement, the Series 1998 Note (issued in connection with the issuance of the Series 1998 Bonds) and the Series 2006A Note will be in the amount sufficient to pay (i) the principal of, premium, if any, and interest on the Series 1998 Bonds, the Series 2006 Bonds and Additional Bonds, if any, issued in the future, and (ii) certain fees and expenses of the Trustee or the Authority incurred in the

future. In the Loan Agreement, the Corporation will pledge and grant to the Authority a security interest in certain Collateral, including its Gross Revenues, accounts and equipment. For the definition of Collateral, see Appendix D.

In addition, under the Loan Agreement, the Corporation has granted to the Trustee (for the benefit of the Bondholders and the Initial Credit Facility Issuer) a first mortgage lien on the Facility, subject to Permitted Encumbrances. For a definition of Permitted Encumbrances, see Appendix D.

*As mentioned above, contemporaneously with the issuance of the Series 2006 Bonds, the Corporation and the Authority will enter into the Third Supplemental Mortgage, which amends certain provisions of the Original Mortgage. Purchasers of the Series 2006 Bonds will be deemed to have consented to such amendments.*

The Authority secured the Series 1998 Bonds and the Prior Bonds and will secure the Series 2006 Bonds by entering into the Indenture under which the Authority has pledged to the Trustee the Authority's interest (with certain reservations) under the Loan Agreement, and the Authority's interest in certain funds created under the Indenture.

The Indenture establishes a Debt Service Reserve Fund, which received deposits when the Series 1998 Bonds and the Prior Bonds were issued. At the time the Series 2006 Bonds are issued, an amount of Series 2006 Bond proceeds sufficient to increase the amount in the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement on the Series 1998 Bonds and the Series 2006 Bonds will be deposited into the Debt Service Reserve Fund. The moneys in the Debt Service Reserve Fund are required to be used whenever, and to the extent that, moneys on deposit in the Interest Fund and Bond Sinking Fund established under the Indenture are insufficient to pay the interest on and principal of (in that order) the outstanding Bonds secured under the Indenture. The Corporation is required, pursuant to the terms of the Loan Agreement, to fund deficiencies in the Debt Service Reserve Fund. See "SECURITY FOR THE SERIES 2006 BONDS - The Indenture - *Debt Service Reserve Fund*" for the definition of the term "Debt Service Reserve Fund Requirement."

#### **Initial Credit Facility and Confirming Credit Facility**

An irrevocable direct pay letter of credit will be issued by the Initial Credit Facility Issuer and will secure payment of \$22,000,000 principal amount of the Series 2006 Bonds, plus \$231,453 which is equal to 48 days' accrued interest thereon computed at the maximum rate of 8% per annum, calculated on the basis of a 365/366-day year while the Series 2006 Bonds bear interest at the Weekly Rate and will expire July 25, 2011, unless extended or earlier terminated. See "SECURITY FOR THE SERIES 2006 BONDS." Payment of principal of and interest on the Series 2006 Bonds at maturity or upon redemption or acceleration will be made first from moneys obtained by the Trustee pursuant to draws on the Initial Credit Facility Issuer under the Initial Credit Facility. Payment of the purchase price of the Series 2006 Bonds or beneficial ownership interests therein upon tenders for purchase by Holders or beneficial owners will be made first from remarketing proceeds and then from draws on the Initial Credit Facility Issuer under the Initial Credit Facility. The Initial Credit Facility will be confirmed by an irrevocable confirmation (the "Initial Confirming Credit Facility") issued by Banco Santander Central Hispano, S.A. (the "Initial Confirming Credit Facility Issuer"). The Initial Confirming Credit Facility provides that it will expire on July 25, 2007, unless terminated or extended as described herein. The Initial Confirming Credit Facility provides for serial annual extensions (absent timely notice of non-extension) through July 25, 2011.

#### **Redemption Prior to Maturity**

Pursuant to the terms of the Indenture, the Series 2006 Bonds are subject to optional, mandatory and extraordinary redemption prior to maturity. See "THE SERIES 2006 BONDS - Redemption of Series 2006 Bonds."

#### **Optional and Mandatory Tender**

Pursuant to the terms of the Indenture, the Series 2006 Bonds are subject to optional and mandatory tender. See "THE SERIES 2006 BONDS - Tenders."

## **Financial Reporting and Disclosure**

*Financial Reporting.* The Loan Agreement requires that the Corporation provide to the Authority, the Trustee, the Underwriter, and all owners of \$500,000 or more of the Series 2006 Bonds who request in writing: (i) quarterly financial statements of the Corporation within 45 days of the end of each fiscal quarter; (ii) an annual financial report prepared by a firm of independent certified public accountants within 120 days of the end of each Fiscal Year, including a statement that such accountants have no knowledge of any default by the Corporation under the Loan Agreement; (iii) a Certificate of an officer of the Corporation stating that the Corporation is in compliance with all of the terms, provisions and conditions of the Loan Agreement; and (iv) such additional information as the Authority, the Trustee or the owners of \$500,000 or more of the Series 2006 Bonds may reasonably request.

*Continuing Disclosure.* Given the sources of repayment for the Series 2006 Bonds and the Authority's limited obligation in respect thereof, the Authority has determined that its financial and operating data is not material to a decision to purchase, hold or sell the Series 2006 Bonds. Consequently, the Authority will not provide any such information.

For so long as the Series 2006 Bonds are in the Weekly Mode, the Corporation has no obligation under Rule 15c2-12 of the Securities and Exchange Commission (the "Rule") to annually file financial and operating information. The Corporation covenants in the Loan Agreement to make filings under the Rule upon conversion of the Series 2006 Bonds to any Interest Rate Mode having an Interest Rate Period in excess of one year.

## **Bondholders' Risks**

An investment in the Series 2006 Bonds involves a certain degree of risk. See the caption "BONDHOLDERS' RISKS" herein for a discussion of certain of these risks.

## **Definitions and Summaries of Legal Documents**

Definitions of certain words and terms used in this Official Statement are set forth in Appendix D of this Official Statement. Summaries of the Indenture and the Loan Agreement are also included in this Official Statement in Appendix D. Such definitions and summaries do not purport to be comprehensive or definitive. All references herein to the specified documents are qualified in their entirety by reference to the definitive forms of such documents, copies of which may be viewed at the office of Ziegler Capital Markets Group at One South Wacker Drive, Suite 3080, Chicago, Illinois, or will be provided to any prospective purchaser requesting the same, upon payment by such prospective purchaser of the cost of complying with such request.

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**OFFICIAL STATEMENT  
relating to**

**\$22,000,000**

**INDIANA HEALTH AND EDUCATIONAL FACILITY FINANCING AUTHORITY**

**Variable Rate Demand Revenue Bonds, Series 2006A  
(Greenwood Village South Project)**

**INTRODUCTION**

This Official Statement, including the cover page and Appendices, is furnished in connection with the offering of \$22,000,000 principal amount of Variable Rate Demand Revenue Bonds, Series 2006A (Greenwood Village South Project) (the "Series 2006 Bonds") of the Indiana Health and Educational Facility Financing Authority (the "Authority"). The Series 2006 Bonds will be issued pursuant to a Trust Indenture, dated as of April 15, 1998 (the "Original Indenture"), as supplemented and amended by a First Supplemental Trust Indenture dated as of October 1, 2000 (the "First Supplemental Indenture") and a Second Supplemental Trust Indenture dated as of July 1, 2006 (the "Second Supplemental Indenture" and collectively with the Original Indenture and the First Supplemental Indenture, the "Indenture"), from the Authority to U.S. Bank National Association, as Trustee (the "Trustee"). The Series 2006 Bonds are being issued pursuant to Indiana Code 5-1-16, as amended (the "Act").

Definitions of certain terms not otherwise defined herein appear in Appendix D.

**The Authority**

The Authority is a public body politic and corporate of the State of Indiana. Pursuant to the Act and resolutions adopted by the governing body of the Authority, the Authority is authorized to issue the Series 2006 Bonds; to lend the proceeds thereof to the Corporation in order to (i) pay for certain capital improvements to the Corporation's facilities (the "Project"), (ii) refund the Authority's Revenue Bonds, Series 2000 (Greenwood Village South Project) (the "Prior Bonds"), (iii) pay capitalized interest and swap payments with respect to a portion of the Series 2006 Bonds, (iv) fund a debt service reserve fund with respect to the Series 2006 Bonds and (v) pay costs of issuance of the Series 2006 Bonds; and to secure the Series 2006 Bonds by a pledge and assignment to the Trustee of the Series 2006A Note (as hereinafter defined) and all rights (except as hereinafter described) under the Loan Agreement, Mortgage and Security Agreement dated as of April 15, 1998 (the "Original Mortgage"), as supplemented and amended by a First Supplemental Loan Agreement, Mortgage and Security Agreement dated as of October 1, 2000 (the "First Supplemental Mortgage"), a Second Supplemental Loan Agreement, Mortgage and Security Agreement dated as of July 1, 2006 (the "Second Supplemental Mortgage"), a Third Supplemental Loan Agreement, Mortgage and Security Agreement dated as of July 1, 2006 (the "Third Supplemental Mortgage"), and a Supplemental Agreement Constituting a Parity Instrument dated as of July 1, 2006 (the "2006 Parity Instrument" and collectively with the Original Mortgage, the First Supplemental Mortgage, the Second Supplemental Mortgage, and the Third Supplemental Mortgage, the "Loan Agreement" or the "Mortgage"), between the Authority and the Corporation. See the caption "THE PROJECT AND THE PLAN OF FINANCE-The Project" herein for a discussion of the scope of the Project.

**The Corporation**

Westminster Village Greenwood, Inc., d/b/a Greenwood Village South (the "Corporation"), is an Indiana nonprofit corporation incorporated in 1981. The principal business of the Corporation is owning and operating a retirement facility for the elderly in a manner designed to satisfy the physical, social and psychological needs of such persons. The Corporation has received a determination letter from the Internal Revenue Service stating that it is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), and is therefore exempt from federal income tax under Section 501(a) of the Code.

## **The Facility**

The Corporation owns and operates a retirement facility consisting of 191 independent living units available to residents as studios, alcoves, and one and two bedroom apartments, together with common areas, 58 cottages, 58 assisted living units and a licensed 137-bed health center (the "Health Center"), all located on an approximately 53 acre site at 295 Village Lane, Greenwood, Indiana (collectively, the "Facility"). The assisted living units are licensed by the State of Indiana and the Health Center is licensed by the State of Indiana to provide nursing care to residents. The Facility commenced operations in 1961 under previous ownership.

## **The Project**

The Corporation is undertaking the addition of 26 new independent living units and will also fund certain routine capital expenditures over a 36-month period. In addition, the Corporation has recently undertaken various improvements, including replacement of the Facility's HVAC system and renovation of independent living units. Collectively, these items comprise the "Project."

## **The Financing**

The proceeds to be received by the Authority from the sale of the Series 2006 Bonds, together with certain funds of the Corporation, will be used: (i) pay for the Project, (ii) refund the Prior Bonds, (iii) pay capitalized interest and swap payments with respect to a portion of the Series 2006 Bonds, (iv) fund an increase to the debt service reserve fund with respect to the Series 2006 Bonds and (v) pay costs of issuance of the Series 2006 Bonds. For a more detailed description of the uses of the proceeds of the Series 2006 Bonds, see "THE PROJECT AND THE PLAN OF FINANCE," and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

## **Security**

The Series 1998 Bonds and the Series 2006 Bonds are limited obligations of the Authority, payable solely from payments made by the Corporation pursuant to the Loan Agreement, the First Mortgage Note, Series 1998 (the "Series 1998 Note") and the Promissory Note, Series 2006A (the "Series 2006A Note") of the Corporation. The Series 2006 Bonds are being issued and secured on a parity with the Authority's Indiana Health Facility Financing Authority Revenue Refunding Bonds, Series 1998 (Greenwood Village South Project) (the "Series 1998 Bonds") issued in an aggregate principal amount of \$15,300,000 of which \$13,225,000 is currently outstanding.

The amounts payable by the Corporation under the Loan Agreement, the Series 1998 Note and the Series 2006A Note will be in the amount sufficient to pay (i) the principal of, premium, if any, and interest on the Series 1998 Bonds, the Series 2006 Bonds and Additional Bonds, if any, issued in the future (the "Bonds"), and (ii) certain fees and expenses of the Trustee or the Authority incurred in the future. In the Loan Agreement, the Corporation pledges and grants to the Authority a security interest in certain Collateral, including its Gross Revenues, accounts and equipment. For the definition of Collateral, see Appendix D. In addition, under the Loan Agreement, the Corporation has granted to the Trustee (for the benefit of the Bondholders) a first mortgage lien on the Facility, subject to Permitted Encumbrances. For a definition of Permitted Encumbrances, see Appendix D. In addition, see the discussion of Parity Debt below.

*As mentioned above, contemporaneously with the issuance of the Series 2006 Bonds, the Corporation and the Authority will enter into the Third Supplemental Mortgage, which amends certain provisions of the Original Mortgage. Purchasers of the Series 2006 Bonds will be deemed to have consented to such amendments.*

The Authority has secured the Series 1998 Bonds and the Series 2006 Bonds by entering into a Trust Indenture dated as of April 15, 1998 (the "Original Indenture"), as supplemented by a First Supplemental Indenture dated as of October 1, 2000 (the "First Supplemental Indenture") and a Second Supplemental Indenture dated as of July 1, 2006 (the "Second Supplemental Indenture" and collectively with the Original Indenture and the First Supplemental Indenture, the "Indenture"), between the Authority and the Trustee, under which the Authority pledges to the Trustee the Authority's interest (with certain reservations) under the Loan Agreement, the Series 1998 Note and the Series 2006A Note, and the Authority's interest in certain funds created under the Indenture.



The Indenture establishes a Debt Service Reserve Fund, which received deposits when the Series 1998 Bonds and the Prior Bonds were issued. At the time the Series 2006 Bonds are issued, an amount of Series 2006 Bond proceeds sufficient to increase the amount in the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement on the Series 1998 Bonds and the Series 2006 Bonds will be deposited into the Debt Service Reserve Fund. The moneys in the Debt Service Reserve Fund are required to be used whenever, and to the extent that, moneys on deposit in the Interest Fund and the Bond Sinking Fund established under the Indenture are insufficient to pay the interest on and principal of (in that order) the Bonds. The Corporation is required, pursuant to the terms of the Loan Agreement, to fund deficiencies in the Debt Service Reserve Fund. See "SECURITY FOR THE SERIES 2006 BONDS - The Indenture - *Debt Service Reserve Fund*" for the definition of the term "Debt Service Reserve Fund Requirement."

### **The Initial Credit Facility and the Confirming Credit Facility**

Concurrently with, and as a condition to, the issuance of the Series 2006 Bonds, the Corporation will cause to be delivered to the Trustee an irrevocable direct pay letter of credit (the "Initial Credit Facility") of Sovereign Bank (the "Initial Credit Facility Issuer"). The Trustee will be entitled to draw under the Initial Credit Facility an amount not exceeding \$22,231,453 which consists of (a) up to \$22,000,000, which amount equals the principal amount of the Series 2006 Bonds, in order to pay the principal on the Series 2006 Bonds when due or upon redemption or acceleration or to pay the portion of the purchase price thereof corresponding to the principal amount upon certain tenders by Holders, plus (b) \$231,453 for so long as the Series 2006 Bonds bear interest at the Weekly Interest Rate, which amount equals 48 days' interest on the principal amount of the Series 2006 Bonds, computed at the maximum rate of 8% per annum, in order to pay accrued interest on the Series 2006 Bonds when due or to pay the portion of the purchase price of the Series 2006 Bonds. The Initial Credit Facility expires on July 25, 2011, unless terminated or extended pursuant to its terms. The Initial Credit Facility will be confirmed by an irrevocable confirmation (the "Initial Confirming Credit Facility") issued by Banco Santander Central Hispano, S.A. (the "Initial Confirming Credit Facility Issuer"). The Initial Confirming Credit Facility provides that it will expire on July 25, 2007, unless terminated or extended as described herein. The Initial Confirming Credit Facility provides for serial annual extensions (absent timely notice of non-extension) through July 25, 2011.

To secure the issuance of the Initial Credit Facility, the Corporation and the Initial Credit Facility Issuer have entered into a Reimbursement Agreement dated as of July 1, 2006 (the "Reimbursement Agreement"), pursuant to which, among other things, the Corporation is obligated to reimburse the Initial Credit Facility Issuer for drawings made under the Initial Credit Facility. The Corporation's obligations under the Reimbursement Agreement are evidenced by a Promissory Note, Series 2006B (the "Series 2006B Note") issued under the 2006 Parity Instrument and are secured by the Mortgage on the Facility, subject to Permitted Encumbrances, and the Collateral. For a definition of Permitted Encumbrances, see Appendix D.

### **Parity Debt**

As described above, the Series 2006 Bonds are secured on a parity basis with the Series 1998 Bonds. Pursuant to the Indenture and the Loan Agreement, under certain circumstances the Authority may issue Additional Bonds and the Corporation may issue Parity Obligations, on a parity with the Series 2006 Bonds. As described above, the Series 2006B Note constitutes a Parity Obligation and is secured on a parity under the Loan Agreement with the Series 1998 Note and the Series 2006A Note by a lien on and security interest in the Mortgaged Property. Pursuant to the Loan Agreement, under certain circumstances, the Corporation may issue Additional Notes and Parity Obligations which will be secured on a parity with the Series 1998 Note, the Series 2006A Note, and the Series 2006B Note. All the Notes and Parity Obligations are secured by the Mortgaged Property (as defined in Appendix D) which includes the Mortgage on the Facility and the Collateral. See "THE ORIGINAL INDENTURE - Issuance of Additional Bonds" and "THE MORTGAGE - Issuance of Additional Notes and Parity Obligations" in Appendix D.

### **Risks**

An investment in the Series 2006 Bonds involves certain risks. See "BONDHOLDERS' RISKS" herein.

## Disclosure Information

This Official Statement contains descriptions of, among other matters, the Series 2006 Bonds, the Indenture and the Loan Agreement. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Indenture and the Loan Agreement are qualified in their entirety by reference to such documents, and references herein to the Series 2006 Bonds are qualified in their entirety by reference to the form thereof included in the Indenture. Until the issuance and delivery of the Series 2006 Bonds, copies of the Indenture, the Loan Agreement and other documents described herein may be obtained from Ziegler Capital Markets Group, as the Underwriter of the Series 2006 Bonds. After delivery of the Series 2006 Bonds, copies of such documents will be available for inspection at the principal corporate trust office of the Trustee.

## THE AUTHORITY

The Authority was established on May 15, 2005, as successor to the Indiana Health Facility Financing Authority (the "IHFFA"), which was created in 1983 pursuant to the provisions of the Act, and is organized and existing under and by virtue of the Act as a public body politic and corporate, not an agency of the State of Indiana (the "State"), but as an independent public instrumentality exercising essential public functions. Under the Act, the Authority is authorized to make loans to private institutions of higher education, or "participating providers" (as defined in the Act) in order to provide funds to finance, refinance and provide reimbursement for all or a portion of any and all costs authorized under the Act and related to the acquisition, lease, construction, repair, restoration, reconditioning, refinancing, installation, or housing of "health facility property" (as defined in the Act). The Authority may finance health facility property located in Indiana or outside Indiana if the financing also includes a substantial component, as determined by the Authority, for the benefit of a health facility located in Indiana. Further, the participating provider (or an affiliate thereof) in any financing for a health facility outside Indiana must operate a substantial health facility, as determined by the Authority, in Indiana. The Authority has no taxing power.

The Act provides that the Authority shall consist of seven members, four of whom are appointed by the Governor of the State for terms of four years each. Two of the four members appointed by the Governor must be knowledgeable in health care or public finance and investment matters related to health care and two of the members appointed by the Governor must be knowledgeable in higher education or public finance and investment matters related to higher education. The Authority shall also include among its members (i) the Governor or the Governor's designee, who shall serve as the chairman of the Authority, (ii) the state public finance director or the public finance director's designee, and (iii) the state health commissioner or the state health commissioner's designee. All Authority members must be residents of the State, with not more than three of the four members appointed by the Governor being of the same political party. All Authority members serve without compensation but are entitled to reimbursement for actual and necessary expenses as determined by the Authority. The Governor shall appoint an Executive Director to serve at the pleasure of the Governor and to receive such compensation as the members of the Authority shall determine. The Executive Director serves as *ex officio* secretary of the Authority, administers, manages and directs the employees of the Authority (under the direction of the members of the Authority), approves all accounts and expenses and performs other additional duties as directed by the members of the Authority.

The Act provides that the State of Indiana pledges to, and agrees with, the holders of any obligations issued under the Act that it will not limit or alter the rights vested in the Authority by the Act until such obligations together with the interest thereon are fully met and discharged; provided, however, that nothing in the Act precludes such limitation or alteration if and when adequate provision shall be made by law for the protection of the holders of such obligation.

THE BONDS DO NOT REPRESENT OR CONSTITUTE A DEBT OF THE AUTHORITY, THE STATE OF INDIANA (THE "STATE") OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE PROVISIONS OF THE CONSTITUTION OR STATUTES OF THE STATE OR A PLEDGE OF THE FAITH AND CREDIT OF THE AUTHORITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, NOR ARE HOLDERS OF THE BONDS GRANTED ANY RIGHT TO HAVE THE AUTHORITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF LEVY ANY TAXES OR APPROPRIATE ANY FUNDS FOR THE PAYMENT OF THE PRINCIPAL THEREOF OR THE INTEREST OR ANY PREMIUM ON THE BONDS. THE AUTHORITY HAS NO TAXING POWER.

## THE CORPORATION

Westminster Village Greenwood, Inc., d/b/a Greenwood Village South (the "Corporation"), is an Indiana nonprofit corporation incorporated in 1981. The principal business of the Corporation is owning and operating a retirement facility for the elderly in a manner designed to satisfy the physical, social and psychological needs of such persons. The Corporation has received a determination letter from the Internal Revenue Service stating that it is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), and is therefore exempt from federal income tax under Section 501(a) of the Code.

THE SERIES 2006 BONDS ARE BEING OFFERED ON THE BASIS OF THE INITIAL CREDIT FACILITY AND THE INITIAL CONFIRMING CREDIT FACILITY, AND NOT ON THE BASIS OF THE FINANCIAL STRENGTH OF THE CORPORATION. ACCORDINGLY, NO FINANCIAL INFORMATION WITH RESPECT TO THE CORPORATION IS INCLUDED IN THIS OFFICIAL STATEMENT OR THE APPENDICES.

## THE PROJECT AND THE PLAN OF FINANCE

### The Project

The Corporation has entered into a guaranteed maximum price contract in the amount of \$6,350,544 (plus a five percent contingency of \$317,527) with Meyer Najem Corporation (the "Contractor") to undertake site work and construct 26 new independent living units. Under a separate contract, the Project will include \$3,105,000 to renovate certain existing facilities.

In addition, the Corporation will be reimbursed approximately \$4,400,000 for recent routine capital expenditures, including \$3,000,000 for the cost of replacing the HVAC system. There will also be a deposit of approximately \$2,000,000 to the Project Fund to be used by the Corporation to pay for future capital expenditures over a period of up to 36 months following issuance of the Series 2006 Bonds.

The various cost components described above comprise the Corporation's planned capital projects, referred to herein as the "Project." A summary of the Project costs is as follows:

### Project Costs

Site Work, Construction and Contingency	\$6,668,071
Renovation	3,105,000
Prior Improvements (including HVAC)	4,400,000
Future Improvements	<u>1,977,495</u>
Total Project Costs	<u>\$16,150,566</u>

### Refunding of the Series 2000 Bonds

Concurrently with provision for financing of the Project, a portion of the proceeds of the Series 2006 Bonds will be used to refund the Prior Bonds in the amount of \$2,305,000. The Prior Bonds, will be called for redemption on August 28, 2006 at a redemption price equal to the principal amount of Prior Bonds to be redeemed plus accrued interest to the redemption date.

Upon deposit of funds with the trustee for the Prior Bonds (the "Prior Trustee"), the Prior Bonds will no longer be "outstanding" pursuant to the Indenture and will not be secured by the Series 2000 Note, but will be secured solely by the funds held by the Prior Trustee.

## **Floating to Fixed Interest Rate Swap Agreement**

Concurrently with the issuance of the Series 2006 Bonds, the Corporation will enter into a floating to fixed interest rate swap agreement with an effective date of July 25, 2006 and a termination date of May 1, 2019 (the "2006 Swap") for the purpose of hedging the variable interest rate on the Series 2006 Bonds. The counterparty to the 2006 Swap is Morgan Stanley Capital Services, Inc. (the "Counterparty"). The Counterparty will pay floating rate payments based on BMA and the Corporation will pay a fixed rate of 4.325% per annum, in each case on a notional amount equal to the principal amount of the Series 2006 Bonds. Payments are to be made monthly on the first Business Day of each month, commencing August 1, 2006. The agreement by the Counterparty to pay certain amounts to the Corporation pursuant to the 2006 Swap does not alter or affect the Corporation's obligation to pay the principal of, interest on, or the redemption price of any of the Series 2006 Bonds. The Counterparty has no obligation to make any payments with respect to the principal of, interest on, or redemption price of, the Series 2006 Bonds. Neither the Holders of the Series 2006 Bonds nor any other person shall have any rights under the 2006 Swap or against the Counterparty.

Under certain circumstances, the 2006 Swap is subject to termination prior to the scheduled termination date thereof and to the maturity of the Series 2006 Bonds. In the event of such early termination, the Corporation may be required to make a termination payment to the Counterparty, and such amount may be substantial.

## **THE INITIAL CREDIT FACILITY ISSUER AND THE INITIAL CONFIRMING CREDIT FACILITY ISSUER**

Sovereign Bank (the "Initial Credit Facility Issuer") is the issuer of the Initial Credit Facility. Banco Santander Central Hispano, S.A. (the "Initial Confirming Credit Facility Issuer") is issuer of the initial Confirming Credit Facility. Certain information concerning the Initial Credit Facility Issuer, including certain financial information, has been provided by the Initial Credit Facility Issuer and is contained in Appendix A to this Official Statement. Certain information concerning the Initial Confirming Credit Facility Issuer, including certain financial information, has been provided by the Initial Confirming Credit Facility Issuer and is included in Appendix B to this Official Statement. Neither the Authority, the Corporation nor the Underwriter makes any representation or warranty as to the accuracy or completeness of Appendix A or Appendix B.

## **ESTIMATED SOURCES AND USES OF FUNDS**

The proceeds of the Series 2006 Bonds will be applied by the Trustee under the provisions of the Indenture for the following uses and in the following respective estimated amounts.

### **Source of Funds:**

Series 2006 Bond Proceeds	\$22,000,000
Equity Contribution	152,000
Prior Bonds Debt Service Reserve Fund	170,570
Prior Bonds Interest Fund	<u>27,628</u>
Total Sources of Funds	\$22,350,198

### **Uses of Funds:**

Project Fund	\$16,153,371
Refunding of Prior Bonds	2,353,802
Capitalized Interest	1,100,658
Funded Letter of Credit Fees	543,586
Debt Service Reserve Fund	1,428,955
Costs of Issuance <sup>(1)</sup>	<u>769,826</u>
Total Uses of Funds	\$22,350,198

- (1) The Costs of Issuance consist of the Underwriter's discount, the Initial Credit Facility Issuer's initial letter of credit fee and legal, accounting and other incidental costs. Costs of Issuance in excess of 2% of the proceeds of the Series 2006 Bonds are not being paid with proceeds of the Series 2006 Bonds.

## ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth the amount projected to be required in each one year period ending May 1 for the payment of principal at maturity or by the mandatory or optional sinking fund redemption and the payment of interest on the Series 2006 Bonds and the Series 1998 Bonds.

Payment Date (May 1)	Series 2006 Bonds				
	Principal	Interest (1)	Total Debt Service	Series 1998 Bonds (2)	Total Aggregate Debt Service
2007	\$ -	\$ 1,055,350.70	\$ 1,055,350.70	\$ 1,061,140.00	\$ 2,116,490.70
2008	75,000	1,285,931.90	1,360,931.90	1,058,915.00	2,419,846.90
2009	85,000	1,276,649.89	1,361,649.89	1,060,725.00	2,422,374.89
2010	90,000	1,273,689.81	1,363,689.81	1,060,925.00	2,424,614.81
2011	95,000	1,268,422.41	1,363,422.41	1,060,025.00	2,423,447.41
2012	100,000	1,265,674.89	1,365,674.89	1,058,025.00	2,423,699.89
2013	105,000	1,255,030.77	1,360,030.77	1,059,925.00	2,419,955.77
2014	110,000	1,250,870.03	1,360,870.03	1,060,450.00	2,421,320.03
2015	120,000	1,244,418.48	1,364,418.48	1,059,600.00	2,424,019.48
2016	125,000	1,240,156.16	1,365,156.16	1,057,375.00	2,422,531.16
2017	135,000	1,228,135.05	1,363,135.05	1,058,775.00	2,421,910.05
2018	140,000	1,222,181.99	1,362,181.99	1,058,525.00	2,420,706.99
2019	145,000	1,213,997.88	1,358,997.88	1,061,625.00	2,420,622.88
2020	430,000	932,720.52	1,362,720.52	1,057,031.26	2,419,751.78
2021	450,000	909,839.31	1,359,839.31	1,060,750.00	2,420,589.31
2022	475,000	890,771.63	1,365,771.63	1,057,218.76	2,422,990.39
2023	490,000	869,304.63	1,359,304.63	1,061,718.76	2,421,023.39
2024	515,000	849,056.00	1,364,056.00	1,058,687.50	2,422,743.50
2025	540,000	822,638.94	1,362,638.94	1,058,406.26	2,421,045.20
2026	560,000	799,406.57	1,359,406.57	1,060,593.76	2,420,000.33
2027	590,000	774,055.16	1,364,055.16	1,059,968.76	2,424,023.92
2028	610,000	749,089.71	1,359,089.71	1,061,531.26	2,420,620.97
2029	1,705,000	715,033.29	2,420,033.29		2,420,033.29
2030	1,785,000	638,920.97	2,423,920.97		2,423,920.97
2031	1,865,000	558,168.03	2,423,168.03		2,423,168.03
2032	1,945,000	474,900.56	2,419,900.56		2,419,900.56
2033	2,035,000	385,244.38	2,420,244.38		2,420,244.38
2034	2,130,000	293,730.86	2,423,730.86		2,423,730.86
2035	2,225,000	197,371.80	2,422,371.80		2,422,371.80
2036	<u>2,325,000</u>	<u>96,950.54</u>	<u>2,421,950.54</u>		<u>2,421,950.54</u>
	\$22,000,000	\$27,037,712.86	\$49,037,712.86	\$23,311,936.32	\$72,349,649.18

(1) The Series 2006 Bonds are variable rate obligations. The rates for the Series 2006 Bonds are assumed to be 5.800% through May 1, 2019 and 4.475% thereafter through maturity. Actual interest rates will differ from the assumed interest rates above. Management has entered into an interest rate swap having the economic effect of fixing the rate on the Series 2006 Bonds through May 1, 2019. The interest rate assumed above for the Series 2006 Bonds includes the effect of the swap.

(2) Maturities of the Series 1998 Bonds are actually on May 15, but are treated as being on the immediately preceding May 1 for purposes of this table.

## THE SERIES 2006 BONDS

### Introduction

Certain capitalized terms used herein which are taken from the Indenture have the meanings set forth in Appendix D.

The terms of the Series 2006 Bonds after the conversion to a Fixed Interest Rate to maturity are not included herein. Owners of the Series 2006 Bonds to be so converted are required to tender their Series 2006 Bonds for purchase on a Proposed Fixed Interest Rate Conversion Date and may not elect to retain such Series 2006 Bonds in connection with such a mandatory tender. See "THE SERIES 2006 BONDS – Mandatory Tenders" herein.

It is currently anticipated that, if any Series 2006 Bonds are converted to a Fixed Interest Rate Period or an Adjustable Long-Term Rate Period, additional disclosure will be provided as necessary in connection with any such conversion.

The Series 2006 Bonds will be issued pursuant to the Indenture. The proceeds of the Series 2006 Bonds will be loaned to the Corporation pursuant to the Loan Agreement. Contemporaneously with the issuance of the Series 2006 Bonds and to secure repayment of the loan made by the Authority to the Corporation under the Loan Agreement, the Corporation will issue and deliver to the Authority the Series 2006A Note.

### General

The Series 2006 Bonds will mature on May 1, 2036. The Series 2006 Bonds will be dated and will bear interest from the date of their initial issuance and delivery. The Series 2006 Bonds are issuable only as fully registered bonds in authorized denominations of (i) \$100,000 and integral multiples of \$5,000 in excess thereof during any Weekly Rate Period, and (ii) \$5,000 and integral multiples thereof during any Adjustable Long-Term Rate Period. For purposes of this caption "THE SERIES 2006 BONDS," the foregoing are referred to as "Authorized Denominations." Any Series 2006 Bond may be transferred or exchanged for a new Series 2006 Bond of Authorized Denominations, for the same aggregate principal amount and of the same tenor at the designated corporate trust office of the Trustee, without charge except for applicable taxes, fees or other governmental charges.

Interest will be paid on the following interest payment dates with respect to the Series 2006 Bonds (each an "Interest Payment Date"): (a) with respect to Series 2006 Bonds in a Weekly Rate Period, the first Business Day of each calendar month commencing August 1, 2006 or the first such date occurring after the issuance date or the Variable Rate Conversion Date with respect thereto, (b) with respect to an Adjustable Long-Term Rate Period, each May 1 and November 1; (c) each Optional Tender Date; (d) each Mandatory Tender Date; (e) after the Fixed Interest Rate Conversion Date, each May 1 and November 1; and (f) for each Variable Rate Bond, the Maturity thereof.

When the Series 2006 Bonds are issued, The Depository Trust Company ("DTC") will act as securities depository. Thereafter, the Series 2006 Bonds will be registered in the book-entry only system (the "Book-Entry System") maintained by DTC. See "BOOK-ENTRY SYSTEM" herein. Payment of principal, premium, if any, and interest on the Series 2006 Bonds will be made to the beneficial owners thereof by DTC as described under "BOOK-ENTRY SYSTEM" herein. If the Book-Entry System is discontinued, the provisions of the following two paragraphs would be applicable.

The principal of, and premium, if any, on the Series 2006 Bonds will be payable at the designated corporate trust office of the Trustee upon presentation and surrender of such Series 2006 Bonds. Interest payments on Series 2006 Bonds (other than with respect to Defaulted Interest) will be payable on each Interest Payment Date to the registered owner thereof appearing on the registration books of the Authority with respect to the Series 2006 Bonds kept by the Trustee to evidence the registration and transfer of such Series 2006 Bonds (the "Bond Register") as of the close of business of the Trustee on the Record Date (as hereinafter defined). "Record Date" means with respect to Series 2006 Bonds while in the Weekly Rate Mode, the Business Day immediately preceding a Variable Rate Interest Payment Date or principal payment date therefor and, with respect to Series 2006 Bonds while in the Adjustable Long-Term Mode or the Fixed Interest Rate Mode, the first day (whether or not a Business Day) of the calendar month in which each Interest Payment Date occurs.

Interest on the Series 2006 Bonds shall, except as hereinafter provided, be paid by check or draft of the Trustee mailed on the Interest Payment Date to such registered owner at the address of such owner as it appears on the Bond Register or at such other address furnished in writing by such registered owner to the Trustee, or by wire transfer sent on the Interest Payment Date to the registered owner upon written notice to the Trustee from the registered owner containing the wire transfer address (which shall be in the continental United States) to which the registered owner wishes to have such wire directed which written notice is received not later than the Business Day prior to the Interest Payment Date, it being understood that such notice may refer to multiple interest payments.

In the event of default in the payment of interest due on an Interest Payment Date, such Defaulted Interest shall be payable to the person in whose name such Series 2006 Bond is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which date shall be established by the Trustee not more than 15 nor less than 10 days prior to the date of the proposed payment and not less than 10 days after receipt of the Trustee of the notice of the proposed payment from the Corporation.

### **Terms and Conditions of the Series 2006 Bonds**

The Series 2006 Bonds bear interest from their date of issue until payment of the principal thereof is made or provided for in accordance with the provisions of the Indenture, whether at maturity (the "Maturity Date"), upon redemption, or otherwise. The Series 2006 Bonds shall initially bear interest at a rate set by the Underwriter to and including August 2, 2006. Thereafter, the Series 2006 Bonds shall bear interest at the Weekly Rate. The Corporation may elect to convert the Series 2006 Bonds (a) from the Weekly Mode to the Adjustable Long-Term Mode, (b) from the Adjustable Long-Term Mode to the Weekly Mode or (c) from a Weekly Mode or an Adjustable Long-Term Mode to the Fixed Interest Rate Mode. See "THE SERIES 2006 BONDS – Conversion to Other Rate Periods."

During a Weekly Rate Period, the Series 2006 Bonds shall bear interest at the lesser of (i) the Interest Coverage Rate, (ii) the Weekly Rate, or (iii) the Maximum Rate. During the Adjustable Long-Term Rate Period, the Series 2006 Bonds shall bear interest at a rate determined by Ziegler Capital Markets Group as Remarketing Agent for the Series 2006 Bonds (the "Remarketing Agent") pursuant to the Indenture.

So long as any of the Series 2006 Bonds bear interest at a Weekly Rate, the Corporation is required to cause to have on deposit with the Trustee a Credit Facility in accordance with the Loan Agreement. No Credit Facility is required while the Series 2006 Bonds are in the Adjustable Long-Term Rate Mode or the Fixed Interest Rate Mode. See "THE SERIES 2006 BONDS – Credit Facility Requirements" herein. While the Series 2006 Bonds are in the Weekly Mode, the principal of, premium, if any, and interest on such Series 2006 Bonds (other than Bank Bonds and Series 2006 Bonds owned by the Corporation) are payable only from Eligible Moneys.

**The Corporation anticipates that, should the Series 2006 Bonds be converted to an Adjustable Long-Term Rate Period or a Fixed Interest Rate Period, additional disclosure will be provided as necessary in connection with any such conversion.**

### **Rate Periods**

**Variable Rate Periods.** A Variable Rate Period means each Weekly Rate Period or Adjustable Long-Term Rate Period.

**Weekly Rate Period.** A Weekly Rate Period is an interest rate period from and commencing on Thursday of any calendar week and including and ending on Wednesday of the next calendar week; provided, however, that if the Rate Period is changed from an Adjustable Long-Term Rate Period to a Weekly Rate Period, the Weekly Rate Period next succeeding such change shall commence on the first Business Day of a calendar month and may be of such duration between one and 13 days as the Remarketing Agent shall determine is necessary to effectuate such change in the Rate Period, and if the Rate Period is changed from a Weekly Rate Period to an Adjustable Long-Term Rate Period, the Weekly Rate Period next preceding such change shall end on the first day preceding the first Business Day of the next succeeding month, and may be of such duration between one and 13 days as the Remarketing Agent shall determine is necessary to effectuate such change in the Rate Period, and if the Rate Period is changed from a Weekly Rate Period to the Fixed Interest Rate Period, the Weekly Rate Period next preceding

such change shall end on the Proposed Fixed Interest Rate Conversion Date, and may be of such duration between one and 13 days as the Remarketing Agent shall determine is necessary to effectuate such change in the Rate Period. A Weekly Rate shall be determined by the Remarketing Agent for each Weekly Rate Period not later than 11:00 a.m., New York City time, on the commencement date of the Weekly Rate Period to which it relates (or the preceding Business Day if such day is not a Business Day). With respect to the Series 2006 Bonds while in a Weekly Mode, the Remarketing Agent will set the interest rate for such Series 2006 Bonds at the lowest rate which, in the judgment of the Remarketing Agent (having due regard of the prevailing market conditions), would be necessary to enable such Series 2006 Bonds to be sold at par, plus accrued interest therein, if any, on the Variable Rate Adjustment Date with respect thereto. The Weekly Rate applicable to the Series 2006 Bonds during a Weekly Rate Period will be available upon request to holders of such Series 2006 Bonds commencing on the Business Day immediately succeeding the date of determination thereof by telephone from the Trustee. Interest accrued on the Series 2006 Bonds during a Weekly Rate Period will be computed on the basis of a 365/366-day year for the actual number of days elapsed and will be paid on each Interest Payment Date for the Series 2006 Bonds. During a Weekly Rate Period, owners of the Series 2006 Bonds may tender their Series 2006 Bonds for purchase on any Business Day upon appropriate notice as described under "THE SERIES 2006 BONDS – Optional Tenders During Variable Rate Periods."

**Adjustable Long-Term Period.** An Adjustable Long-Term Rate Period is an interest rate period during which the Series 2006 Bonds are in the Adjustable Long-Term Mode, which period will be one year or any multiple of one year, except when shorter by reason of Maturity. No less than 75 days prior to each Rate Change Date, the Corporation shall deliver written notice to the Trustee of (i) the Corporation's determination of the next succeeding Rate Change Date (which shall be a May 1) or shall specify that the Series 2006 Bonds are to bear interest at an Adjustable Long-Term Rate to Maturity; provided, however, that if the Corporation fails to specify the next succeeding Rate Change Date, such date shall be a May 1 in such year as will enable the term between the current Rate Change Date and such next succeeding Rate Change Date to equal the preceding term or continue to Maturity, whichever is earlier, or (ii) conversion of such Series 2006 Bonds to Weekly Rates or Fixed Interest Rates. For an Adjustable Long-Term Rate Period, the Reset Rate will be determined by such Remarketing Agent on a date not more than 75 days and not less than 65 days prior to the Rate Change Date. With respect to the Series 2006 Bonds while in an Adjustable Long-Term Mode, the Remarketing Agent will set the interest rate for such Series 2006 Bonds at the lowest rate which, in the judgment of the Remarketing Agent (having due regard of the prevailing market conditions), would be necessary to enable such Series 2006 Bonds to be sold at par, plus accrued interest therein, if any, on the Variable Rate Adjustment Date with respect thereto (the "Variable Rate"). The Reset Rate shall not exceed the Maximum Rate. Not less than 60 days prior to the Rate Change Date, the Trustee shall notify each owner of the Series 2006 Bonds of the Reset Rate which will be applicable to such Series 2006 Bonds on or after the Rate Change Date. The notice will also include information on where any Tender Notice may be delivered and that purchase of such optionally tendered Series 2006 Bonds is conditioned upon the receipt of funds for such purchase as provided for in the Indenture. See "THE SERIES 2006 BONDS – Optional Tenders During Variable Rate Periods." Interest accrued on the Series 2006 Bonds during an Adjustable Long-Term Rate Period will be computed on the basis of a 360-day year composed of twelve 30 day months.

In addition, the Corporation shall cause to be delivered at its expense to the Authority, the Trustee and the Remarketing Agent a form of an Opinion of Bond Counsel at least 75 days prior to the Rate Change Date, and a signed Opinion of Bond Counsel on such Rate Change Date, in each case to the effect that such reset in interest rate will not have an adverse effect on any exemption from federal income taxation to which the interest on the Series 2006 Bonds would otherwise be entitled. The Corporation shall use its best efforts to cause such form and Opinion of Bond Counsel to be delivered to the Trustee by such dates. In the event such form and Opinion of Bond Counsel are not delivered, (1) the interest rate on such Series 2006 Bonds then in effect shall remain in effect at the Reset Rate for an Adjustable Long-Term Rate Period equal to one year, and (2) such Series 2006 Bonds shall continue to be subject to optional tender and (3) the Trustee shall give the owners of the Series 2006 Bonds Immediate Notice of the events described in this paragraph.

### **Determination of Interest Rates**

If the Remarketing Agent fails for any reason to determine or notify the Trustee of the Variable Rate for any Variable Rate Period when required: (a) for such Series 2006 Bonds in a Weekly Rate Period, the Weekly Rate for such Rate Period shall be equal to the BMA Municipal Index with respect to the Series 2006 Bonds (which the



Remarketing Agent shall provide to the Trustee and the Credit Facility Issuer) until the Remarketing Agent next determines the Weekly Rate as required under the Indenture; and (b) for such Series 2006 Bonds in an Adjustable Long-Term Rate Period, the Reset Rate will be equal to the interest rate currently in effect for an Adjustable Long-Term Rate Period equal to one year.

All determinations of Variable Rates by the Remarketing Agent are conclusive and binding upon the Authority, the Corporation, the Trustee, the Credit Facility Issuer, if any, and the holders of the Series 2006 Bonds to which such rates are applicable. Failure by the Trustee to give any notice required by the Indenture, any defect therein, and any failure by any Bondholder to receive any such notice (including without limitation any Immediate Notice) shall not extend the period for making elections, in any way change the rights of the owners of the Series 2006 Bonds to elect to have such Series 2006 Bonds purchased, in any way change the conditions which must be satisfied in order for such election to be effective or for payment of the purchase price to be made after an effective election or in any way change such owner's obligation to tender such Series 2006 Bonds for purchase.

### **Conversion to Other Rate Periods**

**Conversions between Variable Rate Periods.** At any time, at the option of the Corporation, the Series 2006 Bonds may be converted from one Variable Rate Period to another and from (i) an Adjustable Long-Term Rate Mode to a Weekly Mode or (ii) from a Weekly Mode to an Adjustable Long-Term Rate Mode. In the case of a conversion from a Weekly Rate Period, the Variable Rate Conversion Date shall be a Business Day, or in the case of a conversion from an Adjustable Long-Term Rate Period, the Variable Rate Conversion Date shall be any Rate Change Date.

To exercise such option, the Corporation may (i) give written notice of the conversion it intends to effect and the date on which such conversion will occur (the "Variable Rate Conversion Date") to the Remarketing Agent, the Authority, the Trustee and the Credit Facility Issuer, if any, not less than seven Business Days prior to the date on which the Trustee is required to notify the Bondholders of the conversion; (ii) deliver (a) a written statement of the Remarketing Agent, addressed to the Authority and to the Trustee, to the effect that the Remarketing Agent has determined that, in its judgment, such change would result in the lowest aggregate cost, taking into account interest and any other then determinable fees and expenses being payable with respect to such Series 2006 Bonds during the 12 month period commencing with the Variable Rate Conversion Date or, in the case of a conversion to an Adjustable Long-Term Rate Period, during the Adjustable Long-Term Rate Period selected, or (b) an approval in writing of such Variable Rate Period by the Authority, or (c) an Opinion of Bond Counsel to the effect that neither such statement nor such approval is required for the continued validity and enforceability of such Series 2006 Bonds to be converted in accordance with their terms; and (iii) file with the Authority and the Trustee an indication from each Rating Agency then rating such Series 2006 Bonds stating the ratings after conversion, and if such Series 2006 Bonds are being converted to the Weekly Rate Period, evidence that a Credit Facility has been secured which meets the requirements set forth below under the caption "THE SERIES 2006 BONDS - Credit Facility Requirements – Terms of the Credit Facilities." An Opinion of Bond Counsel must be filed with the Authority and the Trustee to the effect that the conversion of such Series 2006 Bonds to a different Variable Rate Period, or to an Adjustable Long-Term Rate Period of a different length will not adversely affect the validity of such Series 2006 Bonds or any exemption from federal income taxation to which interest on such Series 2006 Bonds would otherwise be entitled.

In the event such form and Opinion of Bond Counsel are not delivered, the interest rate on such Series 2006 Bonds will not be converted to a different Variable Rate Period or to an Adjustable Long-Term Rate Period of a different length and such Series 2006 Bonds shall continue in the Weekly Mode, bearing interest at a Weekly Rate or shall continue in the Adjustable Long-Term Mode, bearing interest at a Reset Rate equal to the interest rate currently in effect for an Adjustable Long-Term Rate Period equal to one year, as the case may be.

The Trustee will mail a written notice of the conversion to the holders of the Series 2006 Bonds to be converted not less than 30 days prior to the proposed Variable Rate Conversion Date for a conversion from an Adjustable Long-Term Mode to a Weekly Mode, and not less than 15 days prior to the proposed Variable Rate Conversion Date for a conversion from a Weekly Mode to an Adjustable Long-Term Mode. Any such notice will state, among other things, (i) the proposed Variable Rate Conversion Date, and (ii) that such Series 2006 Bonds to be converted will be subject to mandatory tender for purchase on the Variable Rate Conversion Date at the Tender Price (as defined in APPENDIX D).

**Conversion from Weekly Mode to Adjustable Long-Term Mode Upon Failure to Maintain Credit Facility.** If, on the 45th day preceding any Stated Expiration Date, the Corporation does not have a commitment for a Renewal Credit Facility or an Alternate Credit Facility, as applicable, the Corporation will inform the Trustee that there is no such commitment. If on the 20th day preceding any Stated Expiration Date, the Corporation fails to furnish the Trustee with a Renewal Credit Facility or an Alternate Credit Facility, as applicable, such Series 2006 Bonds shall convert to the Adjustable Long-Term Mode on the Renewal Date, which shall be a Mandatory Tender Date, and shall bear interest at an Adjustable Long-Term Rate for a period terminating on the next May 1, which shall be a period of no more than one year. Notwithstanding the foregoing, an Opinion of Bond Counsel may be delivered to the Authority and the Trustee to the effect that a termination date other than the next succeeding May 1 will not have an adverse effect on any exemption from federal income taxation to which interest on such Series 2006 Bonds would otherwise be entitled, in which case the next Rate Change Date may be as determined by the Corporation in accordance with the Opinion of Bond Counsel.

**Conversion to the Fixed Interest Rate.** At the option of the Corporation all of the Series 2006 Bonds may be converted to bear interest at the Fixed Interest Rate as hereinafter provided. Any such conversion shall be made (i) in the case of a conversion from a Weekly Rate Period, on a Business Day; or (ii) in the case of a conversion from an Adjustable Long-Term Rate Period, on any Rate Change Date.

The Trustee will mail a notice of the proposed conversion to the holders of all Series 2006 Bonds of a series being converted not less than 15 days prior to the Proposed Fixed Interest Rate Conversion Date in the case of a conversion from a Weekly Rate Period, and not less than 30 days prior to the Proposed Fixed Interest Rate Conversion Date in the case of a conversion from an Adjustable Long-Term Rate Period. The notice will state, among other things, (i) the Proposed Fixed Interest Rate Conversion Date, and (ii) that such Series 2006 Bonds to be converted will be subject to mandatory tender for purchase on the Fixed Interest Rate Conversion Date. The Corporation may revoke its election to effect a conversion of the interest rate on such Series 2006 Bonds to the Fixed Interest Rates by giving written notice of such revocation to the Authority, the Trustee, the Credit Facility Issuer, if any, and the Remarketing Agent at any time prior to the date the Trustee sends notice of mandatory tender to holders of such Series 2006 Bonds. If the conversion is revoked, such Series 2006 Bonds shall continue to bear interest in the Weekly Mode or Adjustable Long-Term Mode, as applicable. No conversion of the Series 2006 Bonds will take place unless the Corporation files a written approval of the Authority to such conversion with the Trustee. Additionally, no conversion of the Series 2006 Bonds will take place unless the Corporation files with the Authority, the Credit Facility Issuer and the Trustee a signed Opinion of Bond Counsel dated the Fixed Interest Rate Conversion Date that conversion to the Fixed Interest Rate will not adversely affect the validity of such Series 2006 Bonds or any exemption from federal income taxation to which such Series 2006 Bonds would otherwise be entitled.

**Failed Conversions.** If on a Variable Rate Conversion Date or a Proposed Fixed Interest Rate Conversion Date for all of a series of the Series 2006 Bonds, any condition precedent to such conversion required by the Indenture shall not be satisfied, such conversion will not occur and the mandatory tender shall remain effective. Furthermore, if any condition precedent to a conversion of such Series 2006 Bonds from the Adjustable Long-Term Mode to the Weekly Mode shall not be satisfied, such Series 2006 Bonds will not be converted to the Weekly Mode and the interest rate on such Series 2006 Bonds then in effect shall remain in effect for an Adjustable Long-Term Rate Period equal to one year. Furthermore, if any condition precedent to a conversion of such Series 2006 Bonds from the Weekly Mode to the Adjustable Long-Term Mode shall not be satisfied, such Series 2006 Bonds will not be converted to the Adjustable Long-Term Mode or from an Adjustable Long-Term Mode of one length to another length and will continue to bear interest in the Weekly Mode. Furthermore, if any condition precedent to a conversion of such Series 2006 Bonds from the Weekly Mode or the Adjustable Long-Term Mode to the Fixed Interest Rate Mode shall not be satisfied, such Series 2006 Bonds will not be converted to the Fixed Interest Rate Mode and will bear interest as if such conversion was revoked and shall continue to bear interest in the Weekly Mode or Adjustable Long-Term Mode.

#### **Optional Tenders During Variable Rate Periods**

**Weekly Rate Period.** Holders of Series 2006 Bonds during a Weekly Rate Period may tender their Series 2006 Bonds or portions thereof for purchase in an Authorized Denomination at the Tender Price on any Business

Day upon written notice of tender to the Trustee not later than 5:00 p.m., New York City time, on a Business Day not less than seven days prior to the Optional Tender Date.

Each notice of tender for Series 2006 Bonds in the Weekly Rate Period, which will be written and which may be by facsimile or other electronic means acceptable to the Trustee, must be delivered to the Trustee at its designated corporate trust office and must be in form satisfactory to the Trustee and must state the following: (1) the name and address of the holder of the Series 2006 Bond and the principal amount of the Series 2006 Bond to which the notice relates, (2) that the holder of the Series 2006 Bond irrevocably demands purchase of such Series 2006 Bond or a specified portion thereof in a whole multiple of an Authorized Denomination, (3) the Optional Tender Date on which such Series 2006 Bond or portion thereof is to be purchased, and (4) the payment instructions with respect to the Tender Price. The determination of the Trustee as to whether a notice of tender has been properly delivered is conclusive and binding upon the owner of such Series 2006 Bond delivering such notice. Delivery of a notice of tender to the Trustee automatically constitutes (1) an irrevocable offer to sell the Series 2006 Bond (or portion thereof) to which the notice relates on the Optional Tender Date to any purchaser selected by the Remarketing Agent, at a price equal to the Tender Price of such Series 2006 Bonds (or portion thereof), (2) an irrevocable authorization and instruction to the Trustee to effect a transfer of such Series 2006 Bond (or portion thereof) upon payment of the Tender Price to the Trustee on the Optional Tender Date, (3) an irrevocable authorization and instruction to the Trustee to effect the exchange of the Series 2006 Bond to be purchased in whole or in part for other Series 2006 Bonds in an equal aggregate principal amount so as to facilitate the sale of such Series 2006 Bond (or portion thereof to be purchased), and (4) an acknowledgment that such Bondholder will have no further rights with respect to such Series 2006 Bond (or portion thereof) upon payment of the Tender Price thereof to the Trustee on the Optional Tender Date, except for the right of such Bondholder to receive such Tender Price upon surrender of such Series 2006 Bond to the Trustee.

**Adjustable Long-Term Rate Period.** Holders of Series 2006 Bonds during an Adjustable Long-Term Rate Period may tender their Series 2006 Bonds for purchase in an Authorized Denomination at the Tender Price on each Rate Change Date upon delivery of a written notice of tender to the Trustee and the Remarketing Agent not later than 5:00 p.m., New York City time, on a Business Day not less than 30 and not more than 60 calendar days prior to the applicable Rate Change Date in the manner set forth in the Indenture. The delivery of a Tender Notice by a Bondholder in connection with a Rate Change Date is irrevocable and binding and cannot be withdrawn.

### **Mandatory Tenders**

- (i) Series 2006 Bonds to be converted to bear interest at the Fixed Interest Rate shall be subject to mandatory tender for purchase on a Proposed Fixed Interest Rate Conversion Date at a price equal to the Tender Price.
- (ii) Series 2006 Bonds (other than Bank Bonds or Series 2006 Bonds owned by the Corporation or the Authority and Series 2006 Bonds bearing interest at the Fixed Interest Rate) are subject to mandatory tender for purchase at a purchase price equal to the Tender Price on the Business Day immediately preceding the effective date of any substitution of the Credit Facility with an Alternate Credit Facility.
- (iii) Series 2006 Bonds (other than Bank Bonds or Series 2006 Bonds owned by the Corporation or the Authority and Series 2006 Bonds bearing interest at the Fixed Interest Rate) are subject to mandatory tender for purchase at a purchase price equal to the Tender Price on the Business Day immediately preceding the effective date of any substitution of the Confirmation with an Alternate Confirmation.
- (iv) Series 2006 Bonds are subject to mandatory tender for purchase at a purchase price equal to the Tender Price on any Renewal Date if by the 15<sup>th</sup> day preceding such Renewal Date the Trustee has not received a Renewal Credit Facility.
- (v) Series 2006 Bonds are subject to mandatory tender for purchase at a purchase price equal to the Tender Price on any Confirmation Renewal Date if by the 15<sup>th</sup> day preceding such Confirmation Renewal Date the Trustee has not received a Renewal Confirmation.
- (vi) Series 2006 Bonds are subject to mandatory tender for purchase at a purchase price equal to the Tender Price on the fifth day (or the next preceding Business Day if such day is not a Business Day) after receipt by the Trustee of notice from the Credit Facility Issuer of the occurrence of a default under the respective Credit Facility Agreement or notice

within the applicable period specified in the such Credit Facility Agreement or Confirmation, as appropriate, that the Credit Facility Issuer or the Confirming Bank, as appropriate, is not reinstating the related Credit Facility or Confirmation, as appropriate, following a drawing to pay interest on the Series 2006 Bonds and directing a mandatory tender of such Series 2006 Bonds; provided that (A) such purchase date shall be at least one day prior to the termination of the obligation of the Credit Facility Issuer or the Confirming Bank, as appropriate, to honor draws under such Credit Facility or Confirmation, as appropriate, and (B) no such purchase shall be required if prior to the purchase date the Trustee receives written notice from such Credit Facility Issuer or the Confirming Bank, as appropriate, that the default has been rescinded in accordance with the provisions of such Credit Facility Agreement or Confirmation, as appropriate, and the Trustee has received written notice that such Credit Facility Issuer or the Confirming Bank, as appropriate, has reinstated such Credit Facility or Confirmation, as appropriate, following an interest drawing, and such Credit Facility or Confirmation, as appropriate, is, as of the date of such notice to the Trustee, in full force and effect and will not terminate as a result of such termination notice from such Credit Facility Issuer or the Confirming Bank, as appropriate. If the Trustee receives notice of reinstatement from such Credit Facility Issuer or the Confirming Bank, as appropriate, the Trustee will give Immediate Notice of the reinstatement and that no mandatory tender will occur.

- (vii) The Series 2006 Bonds (other than Bank Bonds or Series 2006 Bonds owned by the Corporation or the Authority and Series 2006 Bonds bearing interest at the Fixed Interest Rate) are subject to mandatory tender for purchase at a purchase price equal to Tender Price on the Optional Confirmation Termination Date in accordance with the provisions of the Second Supplemental Indenture.

Pursuant to the provisions of the Indenture, upon the occurrence of an event of default under a Credit Facility Agreement, the Credit Facility Issuer may direct the Trustee to declare the Series 2006 Bonds immediately due and payable. See "Defaults and Remedies" under the heading "SUMMARY OF PRINCIPAL DOCUMENTS – The Original Indenture" in APPENDIX D.

Upon the expiration or termination of a Credit Facility or Confirmation, as appropriate, under the circumstances described in (iv), (v) or (vi) above, the Series 2006 Bonds purchased pursuant to the Credit Facility or Confirmation, as appropriate, shall not be delivered upon remarketing by the Remarketing Agent or any other sale unless the Remarketing Agent has been advised by the Credit Facility Issuer or Confirming Bank, as appropriate, by Immediate Notice that it has extended such Credit Facility or Confirmation, as appropriate, or elected to reinstate such Credit Facility for the required amount and such Credit Facility Issuer notifies the Trustee by Immediate Notice of such extension of reinstatement to deliver such Series 2006 Bonds to the purchaser.

The Trustee will mail notice to holders of Series 2006 Bonds (a) not less than 30 days prior to the purchase date in the event of a mandatory tender in the case of (i) above, (b) not less than ten days prior to the purchase date in the event of a mandatory tender in the case of (iii) or (iv) above, (c) not later than the Business Day next succeeding receipt by the Trustee of the notice from the Credit Facility Issuer or the Confirming Bank, as appropriate, in the event of a mandatory tender in the case of (v) above, and (d) in the case of (ii) above, not less than 30 days prior to the proposed Variable Rate Conversion Date for a conversion from an Adjustable Long-Term Mode to a Weekly Mode and not less than 15 days prior to the Variable Rate Conversion Date for a conversion from a Weekly Mode to an Adjustable Long-Term Mode.

#### **Inadequate Funds for Tenders**

If the funds available for purchases of Series 2006 Bonds pursuant to the Indenture are inadequate for the purchase of all such Series 2006 Bonds required to be purchased on any purchase date, all such Series 2006 Bonds shall bear interest from such date at the Trustee's Prime Rate until paid in full. In the event that the provisions of the Indenture described under this paragraph become applicable, the Trustee shall immediately: (i) return all tendered such Series 2006 Bonds to the holders thereof; (ii) return all moneys received for the purchase of such Series 2006 Bonds to the persons providing such moneys; and (iii) notify all owners of such Series 2006 Bonds in writing

(A) that an event of default under the Indenture has occurred and (B) of the interest rate to be effective pursuant to the immediately preceding sentence.

### **Credit Facility Requirements**

Pursuant to the Loan Agreement, the Corporation covenants and agrees that at all times during the Weekly Rate Period, the Corporation will cause a Credit Facility to be in full force and effect with respect to the Series 2006 Bonds (the "Credit Facility").

The Indenture contains the following requirements for a Credit Facility.

**Draws on a Credit Facility.** During such time as a Credit Facility is in effect for a series of the Series 2006 Bonds, the Trustee shall draw upon the Credit Facility in accordance with its terms in an amount which will be sufficient to pay, on any date on which is due, principal of, and interest on such Series 2006 Bonds (other than Bank Bonds or Series 2006 Bonds owned by the Corporation or the Authority) while such Series 2006 Bonds bear interest at a Weekly Rate, whether upon redemption, at Maturity, upon acceleration or otherwise or to purchase such Series 2006 Bonds in lieu of redemption. In no event shall the Trustee draw upon a Credit Facility to make any payment of principal of Bank Bonds, or Series 2006 Bonds bearing interest at an Adjustable Long-Term Rate or a Fixed Interest Rate, or Series 2006 Bonds owned by the Corporation or the Authority or any payment of interest on any Interest Payment Date on Series 2006 Bonds which as of the Record Date for such Interest Payment Date were Bank Bonds or Series 2006 Bonds bearing interest at an Adjustable Long-Term Rate or a Fixed Interest Rate.

The Trustee shall draw moneys under the Credit Facility in accordance with its terms and in accordance with the Indenture to the extent necessary to pay to the Bondholders the Tender Price of Tendered Bonds for the respective series of Series 2006 Bonds. Immediately following each drawing under such Credit Facility, other than one to pay principal of or interest on such Series 2006 Bonds on an Interest Payment Date or Maturity, and not as a condition to such drawing, the Trustee shall use its best efforts to give telephonic notice to the Corporation that such a drawing under such Credit Facility was made. The Trustee shall return any moneys drawn under such Credit Facility to the Credit Facility Issuer by wire transfer as soon as reasonably practicable on or after the applicable Tender Date to the extent such moneys exceed the amount necessary to pay the Tender Price of Tendered Series 2006 Bonds.

**Cancellation of a Credit Facility.** The Corporation covenants in the Loan Agreement that while the Series 2006 Bonds bear interest at a Weekly Rate, the Corporation will not cancel the Credit Facility then in effect unless it provides a Renewal Credit Facility or an Alternate Credit Facility satisfying the requirements of Indenture.

**Renewal Credit Facility.** The Corporation may, subject to the provisions of the Credit Facility Agreement, at any time arrange for the deposit with the Trustee of a Renewal Credit Facility in substitution for an existing Credit Facility. A draft of such Renewal Credit Facility, a draft of the related Renewal Credit Facility Agreement, if any, and appropriate information concerning the Credit Facility Issuer which will issue such Renewal Credit Facility are required to be submitted by the Corporation to the Trustee at least 15 days prior to the date such Renewal Credit Facility is to become effective. Any Renewal Credit Facility must have an adequate interest component to comply with the provisions described below under the caption "Terms of the Credit Facilities."

**Alternate Credit Facility.** The Corporation may, subject to the provisions of the Credit Facility Agreement, at any time arrange for the deposit with the Trustee of an Alternate Credit Facility in substitution for the existing Credit Facility. A draft of such Alternate Credit Facility, a draft of the related Credit Facility Agreement and a draft of any supplemental bond indenture required to be executed in connection with the delivery of an Alternate Credit Facility, and appropriate information concerning the entity which will issue such Alternate Credit Facility are required to be submitted by the Corporation to each Rating Agency then maintaining a rating on the Series 2006 Bonds, and each such Rating Agency must give notice, promptly confirmed in writing, to the Trustee at least 15 days prior to the date such Alternate Credit Facility is to become effective as to the rating the Series 2006 Bonds by such Rating Agency will bear after such substitution.

A Credit Facility then in effect may be replaced by an Alternate Credit Facility only if (i) the provisions for mandatory tender for purchase of Series 2006 Bonds described in the Indenture are complied with; (ii) prior to such

replacement, the Corporation shall have delivered to the Trustee, the Authority and the Credit Facility Issuer an Opinion of Bond Counsel to the effect that such replacement will not adversely affect the validity or enforceability in accordance with their terms of the Series 2006 Bonds; (iii) prior to such replacement, the Corporation shall have delivered to the Trustee, the Authority and the Credit Facility Issuer an Opinion of Bond Counsel to the effect that such replacement will not adversely affect any exemption from federal income taxation to which interest on such Series 2006 Bonds would otherwise be entitled; and (iv) the Trustee shall receive an enforceability opinion and any other opinions required by each Rating Agency rating the Series 2006 Bonds following the replacement from counsel for the Credit Facility Issuer issuing the Alternate Credit Facility. In addition, a Credit Facility then in effect may not be replaced by an Alternate Credit Facility unless, if then required by the Credit Facility Agreement, all amounts owed to such existing Credit Facility Issuer have been paid in full and no Bank Bonds with respect thereto are outstanding.

**Surrender of a Credit Facility.** If at any time there shall have been delivered to the Trustee, in substitution for the Credit Facility then in effect, either an Alternate Credit Facility or a Renewal Credit Facility, then the Trustee shall accept such Alternate Credit Facility or Renewal Credit Facility and shall surrender the Credit Facility then in effect to the Credit Facility Issuer which issued the Credit Facility in accordance with its terms for cancellation as soon as such Credit Facility is no longer required to be available to be drawn upon under the Indenture unless such Renewal Credit Facility is effected through the attachment of an exhibit or similar attachment to the prior Credit Facility as permitted by the terms of such Credit Facility. If all Series 2006 Bonds outstanding under the Indenture have been converted to an Adjustable Long-Term Rate or a Fixed Interest Rate, the Trustee shall promptly surrender the Credit Facility then in effect to the Credit Facility Issuer in accordance with the terms thereof and of the Indenture for cancellation. The Trustee shall promptly surrender any Credit Facility after it expires in accordance with its terms. In the event of a mandatory tender of all the Series 2006 Bonds of a series while in the Weekly Mode, the Trustee may surrender the related Credit Facility at the request of the Credit Facility Issuer on the Business Day immediately succeeding the day the Credit Facility is terminated. In the event of a partial optional redemption with respect to the Series 2006 Bonds, the Trustee may take such actions as are required to reduce the amount which may be drawn under the Credit Facility so long as the requirements described below under the subcaption "Terms of the Credit Facilities" continue to be satisfied.

**Transfer of Credit Facility.** The Trustee may not sell, assign or otherwise transfer a Credit Facility except to a successor Trustee under the Indenture and in accordance with the Credit Facility.

**Terms of the Credit Facilities.** So long as Series 2006 Bonds bear interest at a Weekly Rate, the Corporation is required to cause to have on deposit with the Trustee a Credit Facility with respect to such Series 2006 Bonds in accordance with the Loan Agreement. When a Credit Facility is in effect, the Corporation shall maintain the Interest Component of such Credit Facility in an amount which shall not be less than the amount determined by multiplying (A) the outstanding principal amount of Series 2006 Bonds bearing interest at a Weekly Rate times (B) the Interest Coverage Rate for such Weekly Rate Period required to be used pursuant to this paragraph times (C) the quotient determined by dividing (1) the Interest Coverage Period for such Weekly Rate Period required to be used pursuant to this paragraph by (2) 365. The Interest Coverage Rate utilized for each Weekly Rate Period in the above described calculation shall not be less than the rate specified by the Remarketing Agent to the Trustee for such Series 2006 Bonds in each particular Weekly Rate Period as the maximum interest rate at which the Remarketing Agent will remarket such Series 2006 Bonds in such Weekly Rate Period, which may not be less than the current interest rate or rates borne by such Series 2006 Bonds in such Weekly Rate Period. The Interest Coverage Period utilized in the above described calculation shall not be less than the sum of 48 days, plus any additional number of days then required by any Rating Agency then maintaining a rating on the Series 2006 Bonds entitled to the benefit of such Credit Facility.

The Credit Facility shall provide that it may not be terminated until five days after any draw thereunder is made on a Renewal Date, Substitution Date or Fixed Interest Rate Conversion Date.

#### **Confirming Credit Facility Requirements**

A summary of requirements for any Confirming Credit Facility appears in Appendix D under the caption "THE SECOND SUPPLEMENTAL INDENTURE - Confirmation."

## **Remarketing and Purchase of the Series 2006 Bonds**

The Remarketing Agent shall offer for sale and use its best efforts to find purchasers for all Series 2006 Bonds or portions thereof properly tendered, at a price of the principal amount thereof plus accrued interest, if any, of the Series 2006 Bonds which are subject to optional or mandatory tender by the owners thereof pursuant to the Indenture and to perform the other obligations of the Remarketing Agent as set forth in the Indenture.

The holder of each Series 2006 Bond (which shall originally be Cede & Co.) to be purchased on any Optional Tender Date, shall be required to deliver such Series 2006 Bonds to the designated corporate trust office of the Trustee as described in the Indenture. If any such Series 2006 Bond is not delivered on the Tender Date but there has been deposited with the Trustee an amount sufficient to pay the purchase price thereof, interest thereon shall cease to accrue on such Tender Date and the owner of such Series 2006 Bond shall have no further rights thereunder, except to receive payment of the purchase price for such Series 2006 Bond from the funds so deposited upon presentation and surrender of said Series 2006 Bond to the Trustee. On the Tender Date new Series 2006 Bonds in lieu of and in substitution for such undelivered Series 2006 Bonds shall be issued and registered in the names of the purchasers.

The Indenture provides that by 3:00 p.m., New York City time, on the Optional Tender Date set for purchase of tendered Series 2006 Bonds and upon receipt by the Trustee of 100% of the aggregate Tender Price of the tendered Series 2006 Bonds, the Trustee shall pay the Tender Price of such Series 2006 Bonds to the holders thereof. Such payments shall be made in immediately available funds, but only from the following sources and in the following order: (a) moneys paid to the Trustee by the Remarketing Agent or by the new purchaser of the tendered Series 2006 Bonds as proceeds of the remarketing of such Series 2006 Bonds, (b) when the Series 2006 Bonds are in the Weekly Mode, moneys paid to the Trustee by the Credit Facility Issuer for the purchase of Series 2006 Bonds pursuant to the Credit Facility, (c) when the Series 2006 Bonds are in the Weekly Mode, moneys paid to the Trustee by the Confirming Bank, if any, for the purchase of Series 2006 Bonds pursuant to the Confirmation, (d) if the Series 2006 Bonds are in a Weekly Mode, any other Eligible Moneys provided by the Corporation, and (e) any other moneys provided by the Corporation. If the funds available for purchases of such Series 2006 Bonds pursuant to the Indenture are inadequate for the purchase of all Series 2006 Bonds required to be purchased on any purchase date, all such Series 2006 Bonds will bear interest from such date at the Trustee's Prime Rate until paid in full.

## **Redemption of Series 2006 Bonds**

**Optional Redemption.** The Series 2006 Bonds are callable for redemption prior to Maturity in the event (i) of damage to or destruction of the Facilities of the Corporation or any part thereof or condemnation or sale under threat of condemnation of the Facilities of the Corporation, or any part thereof, to the extent of the Net Proceeds of insurance, condemnation or sale received in connection therewith exceed \$500,000, but only to the extent of the funds provided for in the Indenture, or (ii) the Corporation exercises its option to prepay the Series 2006A Note in an amount sufficient to redeem all or a portion of the Series 2006 Bonds then outstanding.

If called for redemption in the events referred to above, outstanding Series 2006 Bonds will be subject to redemption by the Corporation at any time at the direction of the Corporation, in whole or in part, and, if in part by random method as selected by the Trustee, at the principal amount thereof plus accrued interest to the redemption date and without premium, but shall be redeemed from Eligible Moneys so long as such Series 2006 Bonds to be redeemed bear interest at a Weekly Rate.

Series 2006 Bonds in a Weekly Rate Period will be subject to optional redemption upon the direction of the Corporation, in whole or in part at any time (if in part, by the redemption of any Bank Bonds first and thereafter by random method as determined by the Trustee), at the principal amount of such Series 2006 Bonds to be redeemed and accrued interest to the redemption date and without premium. The Initial Credit Facility Agreement provides that the Corporation must obtain the consent of the Initial Credit Facility Issuer prior to the redemption of any Series 2006 Bonds.

Series 2006 Bonds in an Adjustable Long-Term Mode may be redeemed upon direction of the Corporation, in whole or in part at any time as set forth below. The redemption price for any such redemption shall be the

principal amount of such Series 2006 Bonds or portions thereof so redeemed on the applicable redemption dates, plus accrued interest to the redemption date, as set forth below.

- (i) If the next Rate Change Date or, if none, the final Maturity of the Series 2006 Bonds is three years or less from the immediately preceding Rate Change Date, such Series 2006 Bonds are subject to optional redemption commencing on the first May 1 which occurs eighteen months after the immediately preceding Rate Change Date through and including the next succeeding Rate Change Date, or if none, the final Maturity of such Series 2006 Bonds.
- (ii) If the next Rate Change Date or, if none, the final Maturity of such Series 2006 Bonds is more than three years but five years or less from the immediately preceding Rate Change Date, such Series 2006 Bonds are subject to optional redemption commencing on the May 1 which is the second anniversary of the immediately preceding Rate Change Date through and including the next succeeding Rate Change Date, or if none, the final Maturity of such Series 2006 Bonds.
- (iii) If the next Rate Change Date or, if none, the final Maturity of such Series 2006 Bonds is more than five years but less than eight years from the immediately preceding Rate Change Date, such Series 2006 Bonds are subject to optional redemption commencing on the May 1 which is the third anniversary of the immediately preceding Rate Change Date through and including the next succeeding Rate Change Date, or if none, the final Maturity of such Series 2006 Bonds.
- (iv) If the next Rate Change Date or, if none, the final Maturity of such Series 2006 Bonds is eight or more years but less than ten years from the immediately preceding Rate Change Date, such Series 2006 Bonds are subject to optional redemption commencing on the May 1 which is the fourth anniversary of the immediately preceding Rate Change Date through and including the next succeeding Rate Change Date, or if none, the final Maturity of such Series 2006 Bonds.
- (v) If the next Rate Change Date or, if none, the final Maturity of the Series 2006 Bonds is ten or more years from the immediately preceding Rate Change Date, such Series 2006 Bonds are subject to optional redemption commencing on the May 1 which is the fifth anniversary of the immediately preceding Rate Change Date through and including the next succeeding Rate Change Date, or if none, the final Maturity of such Series 2006 Bonds.

Notwithstanding the foregoing, the no-call periods and redemption prices specified above may be changed by the Remarketing Agent upon the written request of the Corporation with the written approval of the Authority with respect to the Series 2006 Bonds if the Opinion of Bond Counsel required to be delivered in connection with the conversion of the interest rate on the Series 2006 Bonds to an Adjustable Long-Term Rate or Fixed Interest Rate is to the effect that such change will not have an adverse effect on the validity of such Series 2006 Bonds or any exemption from federal income taxation to which interest on such Series 2006 Bonds would otherwise be entitled.

No redemption of less than all of a series of the Series 2006 Bonds at the time outstanding will be made unless the aggregate principal amount of such Series 2006 Bonds to be redeemed is equal to an Authorized Denomination.

In lieu of redeeming Series 2006 Bonds, the Trustee may, at the request of the Corporation, use such funds otherwise available for redemption to purchase such Series 2006 Bonds in the open market at a price not exceeding the redemption price then applicable under the Indenture, such Series 2006 Bonds to be delivered to the Trustee for the purpose of cancellation; provided, however, that with respect to such Series 2006 Bonds bearing interest at a Weekly Rate, such purchases shall be made with Eligible Moneys on deposit in the LOC Redemption Account. It is understood that in the case of any such redemption or purchase of Series 2006 Bonds, the Authority shall receive credit against its required Bond Sinking Fund deposits in the same manner as would be applicable if such Series 2006 Bonds were optionally redeemed.



**Mandatory Redemption.** The Series 2006 Bonds are not subject to mandatory sinking fund redemption prior to maturity.

**Notice of Redemption.** Except with respect to Bank Bonds, a copy of the notice of the call for any such redemption identifying the Series 2006 Bonds to be redeemed shall be given by electronic means and by first class mail, postage prepaid, to the registered owners of such Series 2006 Bonds to be redeemed at their addresses as shown on the Bond Register not less than 15 days prior to the redemption date during a Weekly Rate Period and not less than 30 days nor more than 60 days prior to the redemption date during an Adjustable Long-Term Rate Period or during the Fixed Interest Rate Period. If only Bank Bonds are to be redeemed, the Trustee shall give the registered owner thereof Immediate Notice not less than one day prior to the redemption date. Except for mandatory Bond Sinking Fund redemptions or redemptions to be paid with the proceeds of a draw on the related Credit Facility or the Confirmation, if any, prior to the date that the redemption notice is first given as aforesaid, funds shall be placed with the Trustee to pay such Series 2006 Bonds and accrued interest thereon to the redemption date and premium, if any, and if such redemption is required to be accomplished with Eligible Moneys and the Trustee cannot draw upon such Credit Facility to effect such redemption, such moneys shall become Eligible Moneys prior to the giving of such notice or such notice shall state that the redemption is conditional on such funds being deposited on the redemption date and that failure to make such a deposit shall not constitute an event of default under the Indenture. If sufficient moneys are not on deposit with the Trustee, and such Credit Facility cannot be drawn upon for redemption, no redemption notice shall be sent, and no redemption of such Series 2006 Bonds shall occur.

Failure to give notice in the manner prescribed with respect to any Series 2006 Bond, or any defect in such notice, shall not affect the validity of the proceedings for redemption for any Series 2006 Bond of such series with respect to which notice was properly given. Upon the happening of the above conditions, the Series 2006 Bonds thus called will not bear interest after the applicable redemption date, be protected by the Indenture or be deemed to be outstanding under the provisions of the Indenture.

If any Series 2006 Bond is transferred or exchanged on the Bond Register by the Bond Registrar after notice has been given of an optional or mandatory tender or call of such Series 2006 Bond for redemption, the Bond Registrar will attach a copy of such notice to such Series 2006 Bond issued in connection with such transfer.

### **Mandatory Tender for Purchase**

The Authority and, by their acceptance of the Series 2006 Bonds, the Bondholders thereof, irrevocably grant to the Corporation and any assigns of the Corporation with respect to this right, the option to purchase, at any time and from time to time, any Series 2006 Bond which is subject to optional redemption as described above at a purchase price equal to the optional redemption price therefor. To exercise such option, the Corporation shall give the Trustee a Written Request exercising such option within the time period specified in the Indenture as though such Written Request were a written request for redemption, and the Trustee shall thereupon give the holders of such Series 2006 Bonds to be purchased notice of such mandatory tender and purchase in the same manner as a notice of redemption as described above. The purchase of such Series 2006 Bonds shall be mandatory and enforceable against the Bondholders and Bondholders will not have the right to retain their Series 2006 Bonds. On the date fixed for purchase pursuant to any exercise of such option, the Corporation shall pay or cause to be paid the purchase price of such Series 2006 Bonds then being purchased to the Trustee in immediately available funds on the purchase date, and the Trustee shall pay the same to the sellers of such Series 2006 Bonds against delivery thereof. If such Series 2006 Bonds are in the Weekly Mode, such purchase shall be made with Eligible Moneys. Following such purchase, the Trustee shall cause such Series 2006 Bonds to be registered in the name of the Corporation or its nominee or as otherwise directed by the Corporation and shall deliver them to the Corporation or its nominee or as otherwise directed by the Corporation. In the case of the purchase of less than all of the Series 2006 Bonds, the particular Series 2006 Bonds to be purchased shall be selected in accordance with the selection process for redemption of Series 2006 Bonds as described above. No purchase of Series 2006 Bonds shall operate to extinguish the indebtedness of the Authority evidenced thereby. Notwithstanding the foregoing, no such purchase shall be made unless the Corporation shall have delivered to the Trustee and the Authority concurrently with such purchase an Opinion of Bond Counsel to the effect that such purchase and any resale thereof will not affect the validity of such Series 2006 Bonds or any exemption from federal income taxation to which the interest on such Series 2006 Bonds would otherwise be entitled and the written consent of the Credit Facility Issuer. Pursuant to the Initial

Credit Facility Agreement, the consent of the Initial Credit Facility Issuer is required for the Corporation to exercise its option to purchase Series 2006 Bonds described in this paragraph.

## **BOOK-ENTRY SYSTEM**

The Depository Trust Company ("DTC"), New York, New York, will act as the depository for the Series 2006 Bonds. The Series 2006 Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. The ownership of one fully-registered Series 2006 Bond for each maturity, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of the Series 2006 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2006 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2006 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2006 Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2006 Bonds, except in the event that use of the book-entry system for the Series 2006 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2006 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2006 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2006 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2006 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Beneficial Owners of the Series 2006 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2006 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2006 Bond documents. For example, Beneficial Owners of Series 2006 Bonds may wish to ascertain that the nominee holding the Series 2006 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption and tender notices shall be sent to DTC. If less than all of the Series 2006 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2006 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an "Omnibus Proxy" to the Authority or to the Corporation, as the case may be, as soon as possible after the Record Date. The "Omnibus Proxy" assigns Cede & Co.'s consenting or voting rights to those DTC Participants to whose accounts the Series 2006 Bonds are credited on the Record Date (identified in a listing attached to the "Omnibus Proxy").

Payments of principal, interest, redemption prices and purchase prices, respectively, on the Series 2006 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Trustee or the Authority or the Corporation, as the case may be, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, the Authority or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest, redemption prices and purchase prices to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee as well as the Authority or Corporation, as the case may be. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Series 2006 Bonds purchased or tendered, through its Participant, to the Trustee or the Remarketing Agent, and shall effect delivery of such Series 2006 Bonds by causing the Direct Participant to transfer the Participant's interest in such Series 2006 Bonds, on DTC's records, to the Trustee or the Remarketing Agent. The requirement for physical delivery of such Series 2006 Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in such Series 2006 Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of such tendered Series 2006 Bonds to such Remarketing Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Series 2006 Bonds at any time by giving reasonable notice to the Authority or the Corporation and the Trustee, as applicable. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2006 Bond certificates are required to be printed and delivered.

THE INFORMATION PROVIDED ABOVE HAS BEEN PROVIDED BY DTC. NO REPRESENTATION IS MADE BY THE AUTHORITY, THE CORPORATION OR THE UNDERWRITER AS TO THE ACCURACY OR ADEQUACY OF SUCH INFORMATION PROVIDED BY DTC OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

For so long as the Series 2006 Bonds are registered in the name of DTC or its nominee, Cede & Co., the Authority, the Corporation and the Trustee will recognize only DTC or its nominee, Cede & Co., as the registered owner of the Series 2006 Bonds for all purposes, including payments, notices and voting.

The Trustee and the Authority at the direction and expense of the Corporation may decide to discontinue use of the system of book entry transfers through DTC (or a successor securities depository). Once the Corporation has requested that holders withdraw securities from DTC, DTC will notify its Participants of such request and such Participants may utilize DTC's withdrawal process to withdraw their Series 2006 Bonds from DTC. In the event a Participant utilizes DTC's withdrawal process, Series 2006 Bond certificates will be printed and delivered.

Under the Indenture, payments made by the Trustee to DTC or its nominee will satisfy the Authority's obligations under the Indenture and on the Series 2006A Note, to the extent of the payments so made.

Neither the Authority, the Underwriter, the Corporation nor the Trustee will have any responsibility or obligation with respect to (i) the accuracy of the records of DTC, its nominee or any DTC Participant or Indirect Participant with respect to any beneficial ownership interest in any Series 2006 Bond, (ii) the delivery to any DTC Participant or Indirect Participant or any other Person, other than an owner, as shown in the Bond Register, of any notice with respect to any Series 2006 Bond including, without limitation, any notice of redemption, tender, purchase or any event which would or could give rise to a tender or purchase right or option with respect to any Series 2006 Bond, (iii) the payment of any DTC Participant or Indirect Participant or any other Person, other than an owner, as shown in the Bond Register, of any amount with respect to the principal of, premium, if any, or interest on, or the purchase price of, any Series 2006 Bond or (iv) any consent given by DTC as registered owner.

Prior to any discontinuation of the book-entry only system described above, the Authority and the Corporation, as applicable, and the Trustee may treat DTC as, and deem DTC to be, the absolute owner of the Series 2006 Bonds for all purposes whatsoever, including, without limitation, (i) the payment of principal of, premium, if any, and interest on the Series 2006 Bonds, (ii) giving notices of redemption and other matters with respect to the Series 2006 Bonds, (iii) registering transfers with respect to the Series 2006 Bonds and (iv) the selection of Series 2006 Bonds for redemption.

## **SECURITY FOR THE SERIES 2006 BONDS**

### **Limited Obligations of Authority**

The Series 2006 Bonds will be limited revenue obligations of the Authority and, except to the extent payable from Series 2006 Bond proceeds or moneys derived from the investment thereof, insurance and condemnation proceeds, funds drawn under the Initial Credit Facility and funds drawn under the Initial Confirming Credit Facility, will be payable solely and only from and secured by the payments to be made by the Corporation under the Loan Agreement. The Series 2006 Bonds will not constitute nor give rise to a general obligation or liability of, or a charge against the general credit or taxing power of, the State of Indiana (the "State") or any political subdivision thereof. The Authority has no taxing power.

### **State of Indiana Not Liable on the Bonds**

The Series 2006 Bonds do not constitute a debt or liability of the State or of any political subdivision thereof other than the Authority (as described herein), but shall be payable solely from the funds pledged therefor in accordance with the Indenture and amounts drawn under the Credit Facility or the Confirming Credit Facility. The issuance of the Series 2006 Bonds does not, directly, indirectly or contingently, obligate the State or any political subdivision thereof to levy any form of taxation for the payment thereof or to make any appropriation for their payment. The Series 2006 Bonds and the interest payable thereon do not constitute a debt of the State within the meaning of the Constitution or the statutes of the State and do not constitute a charge against the credit or taxing power of the State or any political subdivision thereof. The State shall not in any event be liable for the payment of the principal of or interest on the Series 2006 Bonds or for the performance of any pledge, mortgage, obligation or agreement of any kind whatsoever which may be undertaken by the Authority. No breach by the Authority of any such pledge, mortgage, obligation or agreement may impose any pecuniary liability upon the State or any charge upon its general credit or against its taxing power. The Authority has no taxing power.

## **The Loan Agreement**

Pursuant to the Loan Agreement, the Corporation agrees to make payments to the Authority in such amounts and at such times as are sufficient to pay in full, when due, the principal of, premium, if any, and interest on all outstanding Bonds, including the Series 2006 Bonds. Pursuant to the Indenture, the Loan Agreement has been assigned by the Authority to the Trustee and, consequently, the Corporation will make its payments directly to the Trustee. In the Loan Agreement the Corporation pledges and assigns to the Authority a lien on and security interest in certain Collateral, including its Gross Revenues. In addition, under the Loan Agreement, the Corporation has granted to the Trustee a first mortgage lien on the Facility, subject to Permitted Encumbrances, as security for payment of the principal of and interest on all outstanding Bonds, including the Series 2006 Bonds.

*As mentioned above, contemporaneously with the issuance of the Series 2006 Bonds, the Corporation and the Authority will enter into the Third Supplemental Mortgage, which amends certain provisions of the Original Mortgage. Purchasers of the Series 2006 Bonds will be deemed to have consented to such amendments.*

## **The Indenture**

*Assignment by Authority to the Trustee.* Pursuant to the Indenture, the Authority, subject to Permitted Encumbrances, assigns to the Trustee, as security for the payment of all outstanding Bonds, including the Series 2006 Bonds, the following:

- (1) the Series 2006A Note and any Additional Notes and all sums payable in respect of the indebtedness evidenced thereby;
- (2) all rights and interest of the Authority in and to the Mortgage and the Mortgaged Property (defined in Appendix D) and the Loan Agreement (except the Authority's rights to indemnification and payment of administrative fees and expenses), including the right to receive payments from the Corporation;
- (3) the proceeds of the Series 2006 Bonds and all moneys and securities on deposit from time to time in the funds established under the provisions of the Indenture (except for cash and securities held in the Rebate Fund); and
- (4) any other property which may from time to time be pledged, assigned or transferred to the Trustee as additional security for the Series 2006 Bonds.

*Debt Service Reserve Fund.* The Indenture creates a Debt Service Reserve Fund which is to be held by the Trustee thereunder as a reserve for the payment of principal of and interest on all Bonds outstanding under the Indenture. The Debt Service Reserve Fund is funded currently in the amount of \$1,232,289. Proceeds of the Series 2006 Bonds in the amount of \$1,258,385 will be deposited in the Debt Service Reserve Fund upon issuance of the Series 2006 Bonds to increase the amount therein to the Debt Service Reserve Requirement. The Debt Service Reserve Fund is to be maintained as of any date of calculation at (A) the least of (i) the Maximum Annual Debt Service Requirement with respect to the Series 1998 Bonds then Outstanding, (ii) an amount equal to 10% of the principal amount of the Series 1998 Bonds, or (iii) an amount equal to 125% of the average annual debt service in each Fiscal Year with respect to the Series 1998 Bonds plus (B) for the Series 2006 Bonds and each series of Additional Bonds then Outstanding under the Indenture, the least of (i) the Maximum Annual Debt Service Requirement with respect to the Series 2006 Bonds and such series of Additional Bonds, (ii) an amount equal to 10% of the Principal Amount of the Series 2006 Bonds and such series of Additional Bonds, or (iii) an amount equal to 125% of the average annual debt service with respect to the Series 2006 Bonds and such Additional Bonds; provided, however, that the Debt Service Reserve Fund Requirement shall never be in excess of the Maximum Annual Debt Service Requirement which shall be payable during the current or any succeeding Fiscal Year on all Bonds Outstanding (the "Debt Service Reserve Fund Requirement"). Withdrawals from the Debt Service Reserve Fund are required to be repaid to such fund in no more than twelve (12) substantially equal consecutive monthly installments, commencing no later than the first day of the seventh month after the month in which any such withdrawal is made. In addition, if the value of the Debt Service Reserve Fund is less than 95% of the Debt Service Reserve Fund Requirement, the difference between the Debt Service Reserve Fund Requirement and the value of the Debt Service Reserve Fund shall be restored within 120 days from the date on which the Corporation receives notice of such deficiency.

## **Enforceability of Remedies; Limitations**

The Corporation's obligations under the Loan Agreement are secured thereby. The practical realization of value upon any default will depend upon the exercise of various remedies specified in the Indenture and the Loan Agreement. These and other remedies may, in many respects, require judicial actions which are often subject to discretion and delay. Under existing law, the remedies specified by the Indenture and the Loan Agreement may not be readily available or may be limited. A court may decide not to order the specific performance of the covenants contained in those documents. The various legal opinions to be delivered concurrently with the delivery of the Series 2006 Bonds will contain customary qualifications as to the enforceability of the various legal instruments by limitations imposed by the state and federal laws, rulings and decisions affecting remedies and by bankruptcy, reorganization, fraudulent conveyance or other laws affecting the enforcement of creditors' rights generally. See "BONDHOLDERS' RISKS" herein.

## **The Initial Credit Facility and the Initial Confirming Credit Facility**

The principal of and interest on the Series 2006 Bonds will be payable from the proceeds of draws under the Initial Credit Facility. The Corporation's obligation to reimburse the Initial Credit Facility Issuer for such draws will be provided for in the Reimbursement Agreement.

The Initial Credit Facility will be confirmed by the Initial Confirming Credit Facility issued by the Initial Confirming Credit Facility Issuer. The Initial Confirming Credit Facility provides that it will expire on July 25, 2007, unless terminated or extended as described herein.

*The Series 2006 Bonds are being offered solely on the basis of the Initial Credit Facility and the Initial Confirming Credit Facility and the financial strength of the Initial Credit Facility Issuer and the Initial Confirming Credit Facility Issuer and are not being offered on the basis of the financial strength of the Authority, the Corporation or any other security. This Official Statement does not describe the financial condition of the Corporation. The Series 2006 Bonds are subject to acceleration of maturity upon the occurrence of a default by the Corporation under the Credit Facility Agreement.*

See "THE INITIAL CREDIT FACILITY AND THE INITIAL CONFIRMING CREDIT FACILITY," "APPENDIX A," "APPENDIX B" and "APPENDIX E" for a description of the Initial Credit Facility, the Initial Confirming Credit Facility, the Initial Credit Facility Issuer, the Initial Confirming Credit Facility Issuer and the Reimbursement Agreement. The Initial Confirming Credit Facility provides for serial annual extensions (absent timely notice of non-extension) through July 25, 2011.

## **THE INITIAL CREDIT FACILITY AND THE INITIAL CONFIRMING CREDIT FACILITY**

### **Initial Credit Facility**

The Initial Credit Facility will be an irrevocable direct pay letter of credit issued by Sovereign Bank, as Initial Credit Facility Issuer. The Initial Credit Facility will be issued by the Initial Credit Facility Issuer pursuant to the Reimbursement Agreement dated as of July 1, 2006 (the "Reimbursement Agreement") between the Corporation and the Initial Credit Facility Issuer. See APPENDIX E – "SUMMARY OF CERTAIN PROVISIONS OF THE CREDIT FACILITY AGREEMENT." The Initial Credit Facility irrevocably authorizes draws in accordance with its terms in an aggregate amount not exceeding \$22,231,453 (as reduced and reinstated from time to time in accordance with the provisions of the Initial Credit Facility, the "Stated Amount"), of which an amount not exceeding \$22,000,000 may be drawn upon with respect to payment of the unpaid principal amount or the portion of the purchase price corresponding to principal of the Series 2006 Bonds, and an amount not exceeding \$231,453 may be drawn upon with respect to payment of up to 48 days of interest on the Series 2006 Bonds or the portion of the

purchase price corresponding to interest on the Series 2006 Bonds (computed at the rate of 8% per annum on the basis of a 365/366-day year for the actual number of days elapsed). Subject to the provisions described in the immediately following paragraph, certain drawings under the Initial Credit Facility shall reduce the Stated Amount by the amount of such drawing.

After a drawing under the Initial Credit Facility for the purchase price of Series 2006 Bonds upon an optional or mandatory tender of Series 2006 Bonds, the Stated Amount of the Initial Credit Facility shall be reinstated only upon, and to the extent of, the receipt by the Initial Credit Facility Issuer of a certificate from the Trustee in the form required under the Initial Credit Facility and reimbursement to the Initial Credit Facility Issuer of the amount so drawn. With respect to a drawing under the Initial Credit Facility for interest payable on an Interest Payment Date on the Series 2006 Bonds, if within ten (10) calendar days after any payment in respect of such drawing, the Trustee has not received notice from the Initial Credit Facility Issuer to the effect that an Event of Default under the Reimbursement Agreement exists and that the interest component of the Initial Credit Facility will not be reinstated, then the interest component of the Stated Amount of the Initial Credit Facility will automatically be reinstated effective the eleventh (11th) calendar day from the date of such drawing in an amount equal to 48 days of interest at the rate of 8% per annum (computed on the basis of a 365/366 day year and the actual number of days elapsed) on the principal amount of the Series 2006 Bonds then outstanding. The Stated Amount of the Initial Credit Facility shall not be reinstated for any drawing under the Initial Credit Facility made with respect to the payment of the Series 2006 Bonds in full or a redemption of the Series 2006 Bonds in part.

The Initial Credit Facility will terminate upon the earliest of (a) the date on which the final drawing under the Initial Credit Facility has been honored, (b) 5:00 p.m. (New York, New York time) on the date of receipt by the Initial Credit Facility Issuer of the Initial Credit Facility and written notice from the Trustee stating that the Corporation has provided and the Trustee has accepted, in accordance with the terms of the Indenture, an Alternative Credit Facility for the Series 2006 Bonds, (c) 5:00 p.m. (New York, New York time) on the date on which the Initial Credit Facility Issuer receives a certificate signed by the Trustee accompanied by the Initial Credit Facility stating that the Fixed Interest Rate Conversion Date for the Series 2006 Bonds has occurred pursuant to the Indenture or an Adjustable Long-Term Rate has become effective pursuant to the Indenture, and (d) 5:00 p.m. (New York, New York time) on July 25, 2011, or, if that date is not a Business Day, on the first Business Day thereafter.

### **Initial Confirming Credit Facility**

Simultaneously with the issuance of the Initial Credit Facility, Banco Santander Central Hispano, S.A. (the “Initial Confirming Credit Facility Issuer”) will issue its irrevocable confirmation (the “Initial Confirming Credit Facility”) confirming the Initial Credit Facility. The Initial Confirming Credit Facility irrevocably authorizes draws in accordance with its terms in an aggregate amount equal to the Stated Amount under the Initial Credit Facility (except as the stated amount of the Initial Confirming Credit Facility may be reduced by certain drawings thereunder), unless reinstated as provided for therein.

Pursuant to the Initial Confirming Credit Facility, the Trustee may draw amounts thereunder (1) if the Trustee has first presented to the Initial Credit Facility Issuer a drawing under the Initial Credit Facility which conformed with the terms thereof and which drawing was not honored by the Initial Credit Facility Issuer on or before the date when payment was required thereunder or (2) if the Initial Credit Facility has been repudiated by the Initial Credit Facility Issuer, but has not otherwise been terminated or would not have otherwise been terminated.

After a drawing on the Initial Confirming Credit Facility for the purchase price of Series 2006 Bonds upon optional or mandatory tender, the stated amount of the Initial Confirming Credit Facility shall be reinstated only when, and to the extent, the Initial Confirming Credit Facility Issuer has been reimbursed by or on behalf of the Initial Credit Facility Issuer for the amount of such drawing. With respect to a drawing on the Initial Confirming Credit Facility for interest payable on an Interest Payment Date on the Series 2006 Bonds, the interest component of the Initial Confirming Credit Facility will automatically be reinstated, effective the eleventh (11th) calendar day following the date of presentment of such drawing, in an amount equal to such interest drawing if the Trustee shall not have received, within ten (10) calendar days of such presentment, notice from the Initial Confirming Credit Facility Issuer to the effect that an event of default exists under the credit arrangements between the Initial Credit Facility Issuer and the Initial Confirming Credit Facility Issuer and that the interest component of the Initial Confirming Credit Facility will therefore not be reinstated. The Stated Amount of the Initial Confirming Credit

Facility shall not be reinstated for any drawing under the Initial Confirming Credit Facility made with respect to the payment of the Series 2006 Bonds in full or a redemption of Series 2006 Bonds in part.

The Initial Confirming Credit Facility will expire at the close of business (New York, New York time) on July 25, 2007 subject to annual extensions through July 25, 2011 absent notice of non-extension to the Trustee as provided therein (unless earlier terminated as provided therein).

The Initial Confirming Credit Facility will terminate prior to expiration date described in the preceding sentence upon the termination of the Initial Credit Facility, unless such termination is the result of the repudiation of the Initial Credit Facility pursuant to the Financial Institutions Reform, Recovery and Enforcement Act of 1989. In addition, the Initial Confirming Credit Facility will terminate immediately upon the receipt by the Initial Confirming Credit Facility Issuer of the original of the Initial Confirming Credit Facility, accompanied by the Trustee's certificate to the effect that the Corporation has delivered, and the Trustee has accepted under the Indenture, a substitute confirmation of the Initial Credit Facility in place of the Initial Confirming Credit Facility, or that the requirement to maintain a Confirming Credit Facility has terminated pursuant to the Indenture.

### **Reimbursement Agreement**

See Appendix E hereof for a summary of certain provisions of the Reimbursement Agreement.

### **BONDHOLDERS' RISKS**

In addition to factors set forth elsewhere in this Official Statement, purchasers of Series 2006 Bonds should carefully consider the following risks factors in connection with investment in the Series 2006 Bonds.

1. Upon the occurrence of certain events described above, the Series 2006 Bonds may be subject to redemption in whole or in part at a price equal to the principal amount thereof (without premium), plus accrued interest. See "THE SERIES 2006 BONDS -- Redemption of Series 2006 Bonds."

2. The Series 2006 Bonds are subject to mandatory tender upon the occurrence of certain events described above. See "THE SERIES 2006 BONDS -- Mandatory Tender."

4. The primary security for the Series 2006 Bonds is intended to be the Initial Credit Facility delivered by the Initial Credit Facility Issuer to the Trustee and the Initial Confirming Credit Facility. As a consequence, no financial information in respect of the creditworthiness of the Corporation is included herein. Reference is hereby made to the Appendix A hereto which contains certain financial information regarding the Initial Credit Facility Issuer and the Initial Confirming Credit Facility Issuer. It is possible, in the event of the insolvency of the Initial Credit Facility Issuer and the Confirming Credit Facility Issuer, or the occurrence of some other event precluding the Initial Credit Facility Issuer and the Confirming Credit Facility Issuer from honoring their obligations to make payments as stated in the Initial Credit Facility and the Confirming Credit Facility, that the financial resources of the Corporation will be the only source of payment on the Series 2006 Bonds. There can be no assurance that the financial resources of the Corporation would be sufficient to pay the principal, premium, if any, and interest on the Series 2006 Bonds in the event the Trustee were forced to seek recourse against the Corporation.

5. Enforcement of remedies provided in the Indenture with respect to payments to be made by the Initial Credit Facility Issuer and the Confirming Credit Facility Issuer under the Initial Credit Facility and the Confirming Credit Facility may be limited by insolvency, bankruptcy or other laws relating to creditors' rights generally. The security provided by the Initial Credit Facility and the Confirming Credit Facility for payment of the principal of and interest on the Series 2006 Bonds, or the purchase price of the Series 2006 Bonds, may be impaired in the event of a deterioration of the financial condition of the Initial Credit Facility Issuer or the Confirming Credit Facility Issuer, as the Initial Credit Facility and the Confirming Credit Facility represent a general claim against the assets of the Initial Credit Facility Issuer and the Confirming Credit Facility Issuer, respectively.



6. Performance by the Initial Credit Facility Issuer and the Confirming Credit Facility Issuer of their obligations under the Initial Credit Facility and the Confirming Credit Facility are subject to the satisfaction of certain conditions by the Trustee, as set forth in the Initial Credit Facility and the Confirming Credit Facility. Bondholders are thus dependent upon the Trustee acting to satisfy such conditions before they will receive the benefit of the Initial Credit Facility and the Confirming Credit. Furthermore, the question of whether the Trustee has properly satisfied such conditions is a question of fact which, if disputed, could delay or defeat the Trustee's rights of enforcement of the Initial Credit Facility.

7. The United States Bankruptcy Code generally stays the enforcement of claims against the estate of a bankrupt once a petition in bankruptcy is filed. The Initial Credit Facility Issuer and the Initial Confirming Credit Facility Issuer are required under the Initial Credit Facility and the Initial Confirming Credit Facility, respectively, to pay amounts sufficient to pay the principal of and up to 48 days' interest on the Series 2006 Bonds in the event of the bankruptcy of the Corporation. However, it is possible in the event of a bankruptcy of the Corporation that a bankruptcy court could enjoin payments under the Initial Credit Facility and the Initial Confirming Credit Facility.

8. Bond Counsel will opine that interest on the Series 2006 Bonds will not be includable in the gross income of the Holders thereof for federal income tax purposes. However, Bond Counsel's opinion relates only to the exclusion from gross income of interest on the Series 2006 Bonds for federal income tax purposes and is conditioned on continuing compliance by the Authority and the Corporation with representations and covenants contained in certain certificates with respect to arbitrage and other tax matters to be delivered at closing. Failure to comply with the representations and covenants made in those certificates could cause interest on the Series 2006 Bonds to lose the exclusion from gross income for federal income tax purposes retroactive to their date of issue. The Indenture does not provide for the payment of any additional interest or penalty in the event of the taxability of the interest on the Series 2006 Bonds. Furthermore, certain categories of Bondholders may be subject to taxation as discussed under "TAX EXEMPTION" herein.

9. The various legal opinions to be delivered concurrently with the delivery of the Series 2006 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by the valid exercise of the constitutional powers of the State of Indiana, of the United States of America and other governmental authorities, including police powers exercised for the benefit of the public health and welfare, and by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally, and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

10. The various legal opinions to be delivered concurrently with the delivery of the Series 2006 Bonds express the professional judgment of the attorneys rendering the opinions on the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to such transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

11. The Internal Revenue Service ("IRS") has determined that the Corporation is an organization described in Section 501(c)(3) of the Code and therefore is exempt from federal income taxation. As a charitable organization, it is subject to a number of requirements affecting its operations. The failure of the Corporation to remain qualified as a tax-exempt organization, as well as failure to comply with certain legal requirements (see "TAX MATTERS"), could cause the inclusion of interest on the Series 2006 Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2006 Bonds. The Indenture does not provide for the payment of any additional interest or penalty in the event of the taxability of the interest on the Series 2006 Bonds.

12. The remedies available upon a default under the Indenture, the Loan Agreement or the Reimbursement Agreement will, in many respects, be dependent upon judicial actions, which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including the United States Bankruptcy Code and state laws concerning the use of assets of charitable organizations, the remedies specified in the Indenture, the Loan Agreement and the Reimbursement Agreement may not be readily available or may be limited. The various legal opinions to be delivered in connection with the issuance of the Series 2006 Bonds will be expressly subject to the qualification that the enforceability of the Indenture, the Loan Agreement, the

Reimbursement Agreement and other legal documents is limited by bankruptcy, reorganization, insolvency, moratorium and other similar laws affecting the rights of creditors and by the exercise of judicial discretion in appropriate cases.

13. The Underwriter may engage in secondary market transactions with respect to the Series 2006 Bonds but they are under no obligation to do so. There is no assurance that a secondary market for the Series 2006 Bonds will develop or that owners who wish to sell their Series 2006 Bonds will be able to do so.

14. The lowering or withdrawal of the investment rating initially assigned to the Series 2006 Bonds could adversely affect the market price and the market for the Series 2006 Bonds.

15. The 2006 Swap is subject to periodic "mark-to-market" valuations. The 2006 Swap may, at any time, be valued such that, if then terminated, the Corporation would owe an amount to the Counterparty, which amount could be substantial. As described above, the Counterparty will pay floating rate payments based on BMA and the Corporation will pay a fixed rate of 4.325% per annum, in each case on a notional amount equal to the principal amount of the Series 2006 Bonds. No determination can be made at this time as to the potential liability of the Corporation related to the difference between the variable rate received by the Corporation pursuant to the 2006 Swap and the variable rate paid by the Corporation with respect to the Series 2006 Bonds.

## **RATING**

As noted on the cover page of this Official Statement, Fitch Ratings, Inc. ("Fitch"), has given the Series 2006 Bonds a rating of "AA/F1+" based on the issuance of the Initial Credit Facility by the Initial Credit Facility Issuer and the Confirming Letter of Credit by the Confirming Credit Facility Issuer. No application was made to any other rating agency for the purpose of obtaining an additional rating on the Series 2006 Bonds. The rating reflects only the view of Fitch, and any desired explanation of the significance of such rating should be obtained from Fitch. Certain information and materials not included in this Official Statement were furnished to Fitch. Generally, rating agencies base their rating on the information and materials so furnished and on investigations, studies and assumptions by the rating agencies. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the rating agency originally establishing the rating, circumstances so warrant. The Underwriter, the Authority, the Corporation, the Initial Credit Facility Issuer and the Initial Confirming Credit Facility Issuer have undertaken no responsibility either to bring to the attention of the owners of the Series 2006 Bonds any proposed revision or withdrawal of the rating of the Series 2006 Bonds or to oppose any such proposed revision or withdrawal. Any such change in or withdrawal of such rating could have an adverse effect on the market price of the Series 2006 Bonds.

## **FINANCIAL REPORTING AND CONTINUING DISCLOSURE**

### **Financial Reporting**

The Loan Agreement requires that the Corporation provide to the Authority, the Trustee, the Underwriter, and all owners of \$500,000 or more of the Series 2006 Bonds who request in writing: (i) quarterly financial statements of the Corporation within 45 days of the end of each fiscal quarter; (ii) an annual financial report prepared by a firm of independent certified public accountants within 120 days of the end of each Fiscal Year, including a statement that such accountants have no knowledge of any default by the Corporation under the Loan Agreement; (iii) a Certificate of an officer of the Corporation stating that the Corporation is in compliance with all of the terms, provisions and conditions of the Loan Agreement; and (iv) such additional information as the Authority, the Trustee or the owners of \$500,000 or more of the Series 2006 Bonds may reasonably request.

### **Continuing Disclosure**

Given the sources of repayment for the Series 2006 Bonds and the Authority's limited obligation in respect thereof, the Authority has determined that its financial and operating data is not material to a decision to purchase, hold or sell the Series 2006 Bonds. Consequently, the Authority will not provide any such information.

For so long as the Series 2006 Bonds are in the Weekly Mode, the Corporation has no obligation under Rule 15c2-12 of the Securities and Exchange Commission (the "Rule") to annually file financial and operating information. The Corporation covenants in the Loan Agreement to make filings under the Rule upon conversion of the Series 2006 Bonds to any Interest Rate Mode having an Interest Rate Period in excess of one year.

## **TAX EXEMPTION**

In the opinion of Ice Miller LLP, Indianapolis, Indiana, Bond Counsel, under existing laws, regulations, judicial decisions and rulings, interest on the Series 2006 Bonds is excludable from gross income under Section 103 of the Code for federal income tax purposes. This opinion relates only to the exclusion from gross income of interest on the Series 2006 Bonds for federal income tax purposes under Section 103 of the Code and is conditioned on continuing compliance by the Authority and the Corporation with the Tax Covenants (hereinafter defined). Failure to comply with the Tax Covenants could cause interest on the Series 2006 Bonds to lose the exclusion from gross income for federal income tax purposes retroactive to the date of issue. If subsequent to the date hereof, the Series 2006 Bonds are converted to bear interest at a different interest rate, Bond Counsel expresses no opinion on the effect such change will have on the exclusion from gross income for federal income tax purposes of interest on such Series 2006 Bonds. As described in the Indenture, a favorable opinion of nationally recognized bond counsel would be required in the event of any such change. In the opinion of Bond Counsel, under existing laws, regulations, judicial decisions and rulings, interest on the Series 2006 Bonds is exempt from taxation in the State of Indiana. This opinion relates only to the exemption of interest on the Series 2006 Bonds for State of Indiana income tax purposes. See APPENDIX C for the form of approving opinion of Bond Counsel.

The Code imposes certain requirements which must be met subsequent to the issuance of the Series 2006 Bonds as a condition to the exclusion from gross income of interest on the Series 2006 Bonds for federal income tax purposes. The Authority and the Corporation will covenant not to take any action nor fail to take any action, within their respective power and control, with respect to the Series 2006 Bonds that would result in the loss of the exclusion from gross income for federal income tax purposes of interest on the Series 2006 Bonds pursuant to Section 103 of the Code (collectively, the "Tax Covenants"). The Indenture, the Loan Agreement and certain certificates and agreements to be delivered on the date of delivery of the Series 2006 Bonds establish procedures under which compliance with the requirements of the Code can be met. It is not an event of default under the Indenture if interest on the Series 2006 Bonds is not excludable from gross income for federal income tax purposes or otherwise pursuant to any provision of the Code which is not in effect on the issue date of the Series 2006 Bonds.

The interest on the Series 2006 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, interest on the Series 2006 Bonds is included in adjusted current earnings in calculating corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax and the environmental tax imposed by Section 59A of the Code.

Indiana Code 6-5.5 imposes a franchise tax on certain taxpayers (as defined in I.C. 6-5.5) which, in general, are all corporations which are transacting the business of a financial institution in the State of Indiana. The franchise tax is measured in part by interest excluded from gross income under Section 103 of the Code minus associated expenses disallowed under Section 265 of the Code. Taxpayers should consult their own tax advisors regarding the impact of this legislation on their ownership of the Series 2006 Bonds.

Although Bond Counsel will render an opinion that interest on the Series 2006 Bonds is excludable from federal gross income and exempt from State of Indiana income tax, the accrual or receipt of interest on the Series 2006 Bonds may otherwise affect a Bondholder's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the Bondholder's particular tax status and a Bondholder's other items of income or deduction. Taxpayers who may be affected by such other tax consequences include, without limitation, financial institutions, certain insurance companies, "S" corporations, certain foreign corporations, individual recipients of Social Security or railroad retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry the Series 2006 Bonds. Bond Counsel expresses no opinion regarding any other such tax consequences. Prospective purchasers of the Series 2006 Bonds should consult their own tax advisors with regard to other tax consequences of owning the Series 2006 Bonds.

## **LEGAL MATTERS**

Legal matters incident to the authorization, issuance and sale of the Series 2006 Bonds and with regard to the tax-exempt status of the interest thereon (see "TAX EXEMPTION" herein) are subject to the approving legal opinion of Ice Miller LLP, Bond Counsel. A signed copy of that opinion, dated and speaking only as of the date of original delivery of the Series 2006 Bonds, will be delivered to the Underwriter at the time of such original delivery and a draft of that opinion is attached hereto as Appendix C.

Certain legal matters will be passed upon for the Corporation by its counsel, Louis H. Borgmann, Esq., Indianapolis, Indiana, for the Authority by its counsel, the Attorney General of the State of Indiana, for the Initial Credit Facility Issuer by its counsel, Edwards Angell Palmer & Dodge, LLP, Boston, Massachusetts, for the Confirming Credit Facility Issuer by its internal legal counsel, both under the laws of New York and the laws of Spain, and for the Underwriter by its counsel, Hall, Render, Killian, Heath & Lyman, P.C., Indianapolis, Indiana.

## **UNDERWRITING**

Ziegler Capital Markets Group, a division of B.C. Ziegler and Company (the "Underwriter"), has agreed, subject to the terms and provisions of the Purchase Contract among the Corporation, the Authority and the Underwriter (the "Purchase Contract") to purchase the Series 2006 Bonds from the Authority at a purchase price of \$21,791,000, representing the original aggregate principal amount of the Series 2006 Bonds less the Underwriter's discount of \$209,000.

The obligation of the Underwriter to accept delivery of the Series 2006 Bonds is subject to various conditions set forth in the Purchase Contract; provided, however, that the Underwriter is obligated to purchase all of the Series 2006 Bonds if any are purchased. The Corporation has agreed in the Purchase Contract to indemnify the Underwriter, the Initial Credit Facility Issuer and the Authority against certain liabilities.

Except for the information under the caption "THE AUTHORITY" or "LITIGATION - Authority", the Authority has not confirmed, and assumes no responsibility for, the accuracy, completeness or sufficiency of any of the statements in this Official Statement or in any other disclosure document used by the Underwriter in connection with the offer and sale of the Series 2006 Bonds or any supplements thereto, or in any reports, financial information, offering or disclosure documents or other information relating in any way to the facilities described herein or therein, the Corporation, or the Corporation's management, operations, organization, history or financial condition, relating in any way to the Underwriter, or relating in any way to Sovereign Bank, as issuer of the Initial Credit Facility or Banco Santander Central Hispano, S.A., as issuer of the Confirming Credit Facility.

## **LITIGATION**

### **Authority**

To the knowledge of the Authority, there is not now pending nor, to the knowledge of the Authority, threatened any litigation restraining or enjoining the issuance or delivery of the Series 2006 Bonds or questioning or affecting the validity of the Series 2006 Bonds or the proceedings or authority under which they are to be issued. There is no litigation pending or, to the knowledge of the Authority, threatened which in any manner questions the right of the Authority to enter into the Indenture or the Loan Agreement or to secure the Series 2006 Bonds in the manner provided in the Indenture and the Act.

### **Corporation**

To the knowledge of counsel to the Corporation, except for litigation arising in the normal course of the Corporation's operations in which management of the Corporation has estimated recoveries and the estimated costs and expenses of defense as within the Corporation's applicable insurance policy limits (subject to applicable deductibles), there is no action, suit, proceeding, inquiry or investigation at law or in equity to which the Corporation is a party before or by any court, public board or body, pending or overtly threatened against or affecting the Corporation

wherein an unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated by this Official Statement, the Indenture, the Loan Agreement, the Series 2006A Note, the Purchase Contract and the Credit Facility Agreement or the validity of the Series 2006 Bonds.

### **MISCELLANEOUS**

The references in this Official Statement to the Series 2006 Bonds, the Initial Credit Facility, the Credit Facility Agreement, the Confirming Credit Facility, the Indenture, the Purchase Contract and the Loan Agreement are brief outlines of certain provisions thereof. Such outlines do not purport to be complete. For full and complete statements of such provisions, reference is made to the Series 2006 Bonds, the Initial Credit Facility, the Credit Facility Agreement, the Indenture, the Purchase Contract and the Loan Agreement, copies of which are on file in the offices of the Underwriter and following delivery of the Series 2006 Bonds will be on file at the designated office of the Trustee.

The agreement of the Authority with the holders of the Series 2006 Bonds is fully set forth in the Indenture, and neither any advertisements of the Series 2006 Bonds nor this Official Statement is to be construed as constituting an agreement with the purchasers of the Series 2006 Bonds. Statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as such and not as representations of facts.

The attached Appendices are integral parts of this Official Statement and should be read together with all foregoing statements.

The execution and delivery of this Official Statement have been duly authorized by the Authority and duly approved by the Corporation.

Indiana Health and Educational Facility Financing Authority

By: RYAN C. KITCHELL  
Vice Chair

Approved:

Westminster Village Greenwood, Inc.,  
d/b/a Greenwood Village South

By: F. WILLIAM GRUBE  
President

## **APPENDIX A**

### **CERTAIN INFORMATION CONCERNING THE INITIAL CREDIT FACILITY ISSUER**

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## **CERTAIN INFORMATION CONCERNING SOVEREIGN BANK**

Sovereign Bank (the “Bank”), a federal savings bank with its principal executive offices in Wyomissing, Pennsylvania, is a wholly-owned subsidiary of Sovereign Bancorp, Inc., and is the third largest depository institution headquartered in Pennsylvania, the third largest in New England and one of the nineteen largest in the United States. The Bank was created in 1984 under the name Penn Savings Bank, F.S.B. through the merger of two financial institutions with market areas primarily in Berks and Lancaster counties, Pennsylvania. The Bank assumed its current name on December 31, 1991. The Bank was incorporated in 1987.

The Bank’s primary business consists of attracting deposits from its network of community banking offices, originating small business and middle market commercial, asset-based, consumer and residential mortgage loans and home equity lines of credit and engaging in related activities, including cash management and capital market activities. The Bank has 650 community banking offices, over 1,000 ATMs and 10,000 team members in Pennsylvania, New Jersey, Connecticut, Massachusetts, New York, Rhode Island, Maryland and New Hampshire. At March 31, 2006, the Bank had total assets of \$65.049 Billion, total deposits of \$38.253 Billion and total equity capital of \$6.891 Billion. The Bank’s business is subject to examination and regulation by federal banking authorities. Its primary regulator is the Office of Thrift Supervision (“OTS”). The Bank submits quarterly financial reports, known as Thrift Financial Reports, to the OTS. The quarterly Thrift Financial Reports may be viewed by visiting the OTS’s website at [www.ots.treas.gov](http://www.ots.treas.gov).

The delivery of this Official Statement shall not create any implication that there has been no change in the affairs of the Bank since March 31, 2006 or that information contained or referred to in this Appendix is current as of any time subsequent to such date.

Note: On May 31, 2006, Sovereign Bancorp, Inc. completed its equity offering of \$2.4 Billion to Banco Santander Central Hispano, S.A. Sovereign Bancorp is the parent of Independence Community Bank as a result of a merger with Independence Community Bank Corp., which was effective June 1, 2006. Further details of the Independence and Santander transactions are available at Sovereign Bancorp, Inc.'s website, [www.sovereignbank.com](http://www.sovereignbank.com).

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## **APPENDIX B**

### **CERTAIN INFORMATION CONCERNING THE INITIAL CONFIRMING CREDIT FACILITY ISSUER**

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## **CERTAIN INFORMATION CONCERNING BANCO SANTANDER CENTRAL HISPANO, S.A.**

*Banco Santander Central Hispano, S.A.* ("BSCH") was established on March 21, 1857 and incorporated in its present form by a public deed executed in Santander, Spain, on January 14, 1875, recorded in the Mercantile Registry (Finance Section) of the Government of the Province of Santander.

BSCH activities comprise a full range of retail, commercial and corporate banking services, including investment banking, treasury and capital markets and insurance.

BSCH is Spain's leading financial group and the number one in Spain based on total assets.

BSCH is the third largest banking group in the Euro zone and the 15<sup>th</sup> largest worldwide.

BSCH is Latin America's leader in retail banking. It operates in 10 countries with more than 20 million customers and has 4,100 branches.

As of December 31, 2005, BSCH on a consolidated basis had:

- Assets of 809,107 million Euros.
- Total managed funds of 961,953 million Euros.
- Market capitalization of 69,735,000 million Euros.
- shareholders' equity of 37,282 million Euros.

For further details, please access BSCH's website at [www.gruposantander.com](http://www.gruposantander.com). For the website in the English language, click on the "English" link and access "Information for Shareholders and Investors".

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**APPENDIX C**

**FORM OF BOND COUNSEL'S OPINION**

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July \_\_\_, 2006

Indiana Health and Educational  
Facility Financing Authority  
Indianapolis, Indiana

Westminster Village Greenwood, Inc.,  
d/b/a Greenwood Village South  
Greenwood, Indiana

Ziegler Capital Markets Group,  
as Underwriter  
Chicago, Illinois

U.S. Bank National Association, as Trustee  
Indianapolis, Indiana

Re: Indiana Health and Educational Facility Financing Authority Variable Rate Demand Revenue Bonds, Series 2006A (Greenwood Village South Project) (the "Series 2006A Bonds") issued pursuant to the Trust Indenture dated as of April 15, 1998, as previously supplemented and amended and as supplemented and amended by the Second Supplemental Trust Indenture dated as of July 1, 2006 (collectively, the "Indenture") between the Indiana Health and Educational Facility Financing Authority (the "Authority") and U.S. Bank National Association (as successor to National City Bank of Indiana), Indianapolis, Indiana, as Trustee (the "Trustee"), which Indenture contains an assignment of the Authority's rights under the Loan Agreement, Mortgage and Security Agreement dated as of April 15, 1998, as previously supplemented and amended and as supplemented and amended by the Second Supplemental Loan Agreement, Mortgage and Security Agreement dated as of July 1, 2006 and the Third Supplemental Loan Agreement, Mortgage and Security Agreement dated as of July 1, 2006 (collectively, the "Loan Agreement") between the Authority and Westminster Village Greenwood, Inc., d/b/a Greenwood Village South (the "Corporation"), the Promissory Note, Series 2006A of the Corporation (the "Series 2006 Note") issued pursuant to the Loan Agreement; Total issue \$22,000,000

Ladies and Gentlemen:

We have examined (a) a certified transcript of proceedings relating to the (i) creation and organization of the Authority; (ii) authorization, issuance and sale of the Series 2006A Bonds; (iii) authorization and execution of the Indenture, the Loan Agreement and the Series 2006 Note; (b) an opinion of the Attorney General of the State of Indiana, counsel for the Authority; (c) an opinion of Louis H. Borgmann, Indianapolis, Indiana, counsel for the Corporation; (d) executed counterparts of the Loan Agreement and the Indenture; (e) a certificate of officers of the Authority, of even date herewith, regarding the execution of the Series 2006A Bonds and showing no litigation pending or threatened; (f) certificates of officers of the Trustee regarding the execution of the Indenture, authentication of the Series 2006A Bonds, the guarantee of the signatures on the Series 2006A Bonds and showing payment for and delivery of the Series 2006A Bonds; (g) a letter from the Internal Revenue Service evidencing that the Corporation is exempt from taxation as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as in effect on the date hereof (the "Code"); (h) the executed Series 2006 Note; (i) certificates and other agreements of the Corporation of even date herewith; and (j) an executed Internal Revenue Service Form 8038.

We have also examined Indiana Code 5-1-16, as amended, and such other provisions of the constitution and laws of the State of Indiana (the "State") as we have deemed relevant and necessary as a basis for the opinions set forth herein. As to questions of fact material to our opinion, we have relied upon representations and covenants of the Corporation and the Authority contained in the Loan Agreement and the Indenture and in the certified transcript of proceedings and other certificates of officers furnished to us, including the tax covenants and representations of the Authority and the Corporation (the "Tax Covenants"), without undertaking to verify the same by independent investigation.

Based on the foregoing and our review of such other information, papers and documents as we believe necessary or advisable, we are of the opinion that:

22. The Loan Agreement has been duly authorized, executed and delivered by the Authority, and, assuming due authorization, execution and delivery thereof by the Corporation, are valid and binding agreements of the Authority, enforceable against the Authority in accordance with their terms.

23. The Indenture has been duly authorized, executed and delivered by the Authority, and, assuming due authorization, execution and delivery thereof by the Trustee, is a valid and binding agreement of the Authority, enforceable against the Authority in accordance with its terms.

24. The Series 2006A Bonds have been duly authorized, executed and issued and are valid and binding limited obligations of the Authority, enforceable in accordance with its terms.

25. Under existing laws, regulations, judicial decisions and rulings, the interest on the Series 2006A Bonds is exempt from income taxation in the State. This opinion relates only to the tax exemption of interest on the Series 2006A Bonds from State income taxes.

26. Under existing laws, regulations, judicial decisions and rulings, the interest on the Series 2006A Bonds is excludable from gross income pursuant to Section 103 of the Code for federal income tax purposes. This opinion relates only to the exclusion from gross income of interest on the Series 2006A Bonds for federal income tax purposes under Section 103 of the Code and is conditioned on continuing compliance by the Corporation and the Authority with the Tax Covenants. Failure to comply with the Tax Covenants could cause interest on the Series 2006A Bonds to lose the exclusion from gross income for federal income tax purposes retroactive to the date of issue.

The opinion expressed in paragraph 5 is expressly limited as set forth in this paragraph. If subsequent to the date hereof the interest period applicable to the Series 2006A Bonds is changed, we are not expressing an opinion herein on the effect such change shall have on the exclusion from gross income for federal income tax purposes of interest on the Series 2006A Bonds. As described in the Indenture, a favorable opinion of bond counsel would be required in the event of any such change.

It is to be understood that the rights of the owners of the Series 2006A Bonds, the Authority, the Trustee and the Corporation and the enforceability of the Series 2006A Bonds, the Indenture and the Loan Agreements may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore and hereafter enacted to the extent constitutionally applicable and that their enforcement may be subject to the exercise of judicial discretion in accordance with general

principles of equity. It is to be understood that the rights of the owners of the Series 2006A Bonds, the Authority, the Trustee and the Corporation and the enforceability of the Series 2006A Bonds, the Indenture and the Loan Agreement may be subject to the valid exercise of the constitutional powers of the State and the United States of America.

Very truly yours,

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**APPENDIX D**

**SUMMARY OF PRINCIPAL DOCUMENTS  
(INCLUDING DEFINITIONS OF CERTAIN TERMS)**

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## **DEFINITIONS OF CERTAIN TERMS**

The following words and terms have the following respective meanings when used in this Official Statement:

"2006 Project" means the project described under the caption "2006 Project" in Exhibit A of the Second Supplemental Mortgage.

"Act" means Indiana Code 5-1-16, as from time to time amended.

"Additional Bonds" means the additional Bonds authorized to be issued by the Authority pursuant to the terms and conditions of the Original Indenture.

"Additional Collateral Documents" means collectively, the following documents, each dated as of July 1, 2006, each between the Corporation and the Trustee: Collateral Assignment of Residency Agreements, Collateral Assignment of Construction Contract and Collateral Assignment of Management Agreement.

"Additional Notes" means the additional parity notes authorized to be issued by the Corporation pursuant to the provisions of the Mortgage.

"Adjustable Long-Term Mode" means the aggregate of the characteristics which apply to the Series 2006 Bonds bearing interest at the Adjustable Long-Term Rate.

"Adjustable Long-Term Rate" means, with respect to the Series 2006 Bonds, the interest rate in effect while the Series 2006 Bonds are in the Adjustable Long-Term Mode, including the initial Adjustable Long-Term Rate and any Reset Rate applicable thereto, determined in accordance with the Second Supplemental Indenture.

"Adjustable Long-Term Rate Period" means an interest rate period during which the Series 2006 Bonds are in the Adjustable Long-Term Mode, which Period shall be one year or any multiple of one year, except when such multiples are less than one year by reason of Maturity.

"Alternate Confirmation" means a Confirmation (other than the Initial Confirmation or a Renewal Confirmation) which confirms the Credit Facility from time to time.

"Alternate Credit Facility" means a credit facility (other than (a) the Initial Credit Facility or (b) a Renewal Credit Facility), including, without limitation, a letter of credit of a commercial bank or a credit facility from a financial institution, or a combination thereof, which provides security for payment of the principal of and interest on the Series 2006 Bonds when due (referred to in this definition as "credit support") and for payment of the purchase price of Series 2006 Bonds delivered or deemed delivered in accordance with the Second Supplemental Indenture (referred to in this definition as "liquidity support"); provided that an Alternate Credit Facility may be issued to provide only credit support or liquidity support so long as a separate Alternate Credit Facility or Renewal Credit Facility provides at all times such Alternate Credit Facility is in effect complementary credit support or liquidity support, as the case may be, so that at all times while any of the Series 2006 Bonds bear interest at a Weekly Rate such Series 2006 Bonds

shall be entitled to credit support and liquidity support. Any amendment of a Credit Facility which is not a Renewal Credit Facility shall be an Alternate Credit Facility.

"Alternate Credit Facility Agreement" means the agreement between the Credit Facility Issuer and the Corporation, as such agreement may from time to time be amended or supplemented, pursuant to which an Alternate Credit Facility relating to the Series 2006 Bonds is issued and outstanding.

"Authority" means the Indiana Health and Educational Facility Financing Authority (as successor to the Indiana Health Facility Financing Authority), a body corporate and politic of the State of Indiana created and existing under and by virtue of the Act, and its successors and assigns.

"Balloon Debt" means Long-Term Debt, 25% or more of the principal amount of which matures during any consecutive twelve-month period if such maturing principal is not required to be amortized by mandatory redemption or prepayment prior to such period.

"Bank Bond" means any Series 2006 Bond purchased pursuant to a draw on the Credit Facility until remarketed pursuant to the Remarketing Agreement.

"Bank Note" means the Promissory Note, Series 2006B issued by the Corporation to the Initial Credit Facility Issuer in substantially the form attached to the Supplemental Agreement, and any substitute or replacement obligation issued to a subsequent Credit Facility Issuer.

"Bond" or "Bonds" means one or more of the Authority's Revenue Bonds issued under the Indenture.

"Bond Counsel" means any firm of nationally recognized municipal bond counsel designated by the Authority and acceptable to the Corporation and the Trustee.

"Bondholder" or "Holder" or "holder" or "Registered Owner of the Bonds" means the registered owner of any fully registered Bond as shown on the Bond registration books of the Trustee.

"Bond Sinking Fund" means the fund by that name created by the Indenture to provide for payment of the principal of the Bonds.

"Business Day," pursuant to the Mortgage, means any day except Saturday, Sunday or any day on which banking institutions located in the State of Indiana are required or authorized to close or on which the New York Stock Exchange is closed.

"Business Day," pursuant to the Indenture, means any day other than (i) a Saturday, Sunday or legal holiday or a day on which banks in the State of New York or located in any city in which the designated corporate trust office of the Trustee is located are required or authorized by law to remain closed, (ii) a day on which the New York Stock Exchange is closed, (iii) a day on which the Federal Reserve Bank of Chicago or the Federal Reserve Bank of New York is closed or (iv) a day on which banks in the city in which the operations of the Credit Facility



Issuer or Confirming Bank, if any, used to process payments on the Credit Facility or the Confirmation, if any, are required or authorized by law to remain closed.

"Closing Date" means the date of original issuance and delivery of the Series 2006 Bonds.

"Code" means the Internal Revenue Code of 1986, as amended from time to time. Each reference to a section of the Code shall be deemed to include the United States Treasury Regulations, including temporary and proposed regulations, relating to such section which are applicable to the Bonds or the use of the proceeds thereof.

"Collateral" means the portion of the Mortgaged Property described as such in the Mortgage and summarized under the caption "THE MORTGAGE – Assignment of Rights Under Mortgage."

"Completion Debt" means any Long-Term Debt incurred for the purpose of financing the completion of the acquisition, construction, remodeling, renovation or equipping of the Facility with respect to which indebtedness for borrowed money has been previously incurred by the Corporation in accordance with the provisions of the Mortgage, including any amounts needed for any requisite capitalized interest or reserve funds or to pay the cost and expenses of issuing such completion indebtedness; provided that the principal amount of any Completion Debt shall not exceed 10% of the principal amount of the related indebtedness originally so borrowed.

"Confirmation" means the Initial Confirmation, the Renewal Confirmation or the Alternate Confirmation at the time in effect.

"Confirmation Stated Expiration Date" means the stated date of expiration or termination of the Confirmation, if any, including any extensions thereof.

"Confirming Bank" means the Initial Confirming Bank for the period during which the Initial Confirmation is in effect, and thereafter shall mean the Confirming Bank, if any, then obligated under the Renewal Confirmation or the Alternate Confirmation.

"Corporation" means Westminster Village Greenwood, Inc. (d/b/a Greenwood Village South), an Indiana nonprofit corporation, and its successors and assigns.

"Covered Debt" means Balloon Debt, Completion Debt, Guaranteed Debt, other Long-Term Debt and Put Debt.

"Credit Facility" means the Initial Credit Facility, Renewal Credit Facility or Alternate Credit Facility at the time in effect.

"Credit Facility Agreement" means, initially, the Reimbursement Agreement dated as of July 1, 2006 between the Corporation and the Initial Credit Facility Issuer, as such agreement may from time to time be amended or supplemented, and thereafter means the agreement pursuant to which the Credit Facility Issuer agrees to issue any Renewal Credit Facility or Alternate Credit Facility at the time in effect, as such agreement may from time to time be amended and supplemented.

"Credit Facility Issuer" means the Initial Credit Facility Issuer for the period during which the Initial Credit Facility and initial Credit Facility Agreement are in effect, and thereafter shall mean the Credit Facility Issuer then obligated under the Renewal Credit Facility and Renewal Credit Facility Agreement or Alternate Credit Facility and Alternate Credit Facility Agreement.

"Debt Service Reserve Fund" means the fund by that name created by the Indenture into which moneys will be deposited to be used to make up any deficiencies in the Interest Fund and the Bond Sinking Fund.

"Debt Service Reserve Fund Requirement" means (A) the least of (i) the Maximum Annual Debt Service Requirement during the current or any succeeding Fiscal Year on the Series 1998 Bonds then Outstanding, (ii) an amount equal to 10% of the Principal Amount of the Series 1998 Bonds, or (iii) an amount equal to 125% of the average annual debt service in each Fiscal Year with respect to the Series 1998 Bonds plus (B) for each series of Additional Bonds then Outstanding under the Indenture, the least of (i) the Maximum Annual Debt Service Requirement during the current or any succeeding Fiscal Year on such series of Additional Bonds, (ii) an amount equal to 10% of the Principal Amount of such series of Additional Bonds, or (iii) an amount equal to 125% of the average annual debt service with respect to such Additional Bonds in each Fiscal Year calculated on the date of issuance of the Additional Bonds; provided, however, that the Debt Service Reserve Fund Requirement shall never be in excess of the amount equal to the Maximum Annual Debt Service Requirement payable during the current or any succeeding Fiscal Year on all Bonds Outstanding.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns appointed pursuant to the Second Supplemental Indenture.

"Eligible Moneys" means (a) Series 2006 Bond proceeds deposited with the Trustee contemporaneously with the issuance and sale of the Series 2006 Bonds and which are continuously thereafter held subject to the lien of the Indenture in a separate and segregated fund, account or subaccount established under the Second Supplemental Indenture in which no moneys which are not Eligible Moneys are at any time held, together with investment earnings on such Series 2006 Bond proceeds; (b) moneys (i) paid or deposited by the Corporation to or with the Trustee, (ii) continuously held in any fund, account or subaccount established under the Second Supplemental Indenture which is subject to the lien of the Indenture and in which no other moneys which are not Eligible Moneys are held and (iii) which have so been on deposit with the Trustee for at least 367 days from their receipt by the Trustee, during and prior to which period no petition by or against the Authority, the Corporation, or any guarantor to which such moneys are attributable under any bankruptcy or similar law now or hereafter in effect shall have been filed and no bankruptcy or similar proceeding otherwise initiated (unless such petition or proceeding shall have been dismissed and such dismissal be final and not subject to appeal), together with investment earnings on such moneys; (c) moneys received by the Trustee from any draw on the Credit Facility which are held in any fund, account or subaccount established under the Second Supplemental Indenture in which no other moneys which are not Eligible Moneys are held, together with investment earnings on such moneys; (d) proceeds from the remarketing of any Series 2006 Bonds pursuant to the provisions of the Indenture to any person other than the Corporation, any Affiliate thereof or any guarantor or the Authority; (e) proceeds from the

issuance and sale of refunding bonds, together with the investment earnings on such proceeds, if there is delivered to the Trustee at the time of issuance and sale of such bonds an opinion of nationally recognized bankruptcy counsel acceptable to the Trustee and to each Rating Agency then maintaining a rating on the Series 2006 Bonds bearing interest at a Variable Rate (which opinion may assume that no Bondholders are "insiders" within the meaning of Title 11 of the United States Code) to the effect that the use of such proceeds and investment earnings to pay the principal of, premium, if any, or interest on the Series 2006 Bonds would not be avoidable as preferential payments under Section 547 of the United States Bankruptcy Code recoverable under Section 550 of the United States Bankruptcy Code should the Authority, the Corporation, any Affiliate thereof or any guarantor become a debtor in a proceeding commenced thereunder; and (f) moneys which are derived from any other source, together with the investment earnings on such moneys, if the Trustee has received an unqualified opinion of nationally recognized bankruptcy counsel acceptable to the Trustee and to each Rating Agency then maintaining a rating on the Series 2006 Bonds bearing interest at a Variable Rate (which opinion may assume that no Bondholders are "insiders" within the meaning of Title 11 of the United States Code) to the effect that payment of such amounts to bondholders would not be avoidable as preferential payments under Section 547 of the United States Bankruptcy Code recoverable under Section 550 of the United States Bankruptcy Code should the Authority, the Corporation, any Affiliate thereof or any guarantor become a debtor in a proceeding commenced thereunder; provided that such proceeds, moneys or income shall not be deemed to be Eligible Moneys or available for payment of the Series 2006 Bonds if, among other things, an injunction, restraining order or stay is in effect preventing such proceeds, moneys or income from being applied to make such payment. For the purposes of this definition, the term "moneys" shall include cash and any investment securities including, without limitation, Government Obligations.

"Entrance Fees" means the fees paid by residents of the Facility to the Corporation for the purpose of obtaining the right to reside in the Facility.

"Equipment" means all of Corporation's machinery, equipment, tools, furniture, furnishings and fixtures, including, without limitation, all processing and manufacturing equipment, machine tools, data processing and computer equipment, furniture, tools, dies, molds and other equipment of every kind and description, and all accessions, additions, substitutions or replacements to or for any of the foregoing and all attachments, components, accessories, parts and supplies relating thereto; all whether now owned or existing or hereafter arising or acquired, whether movable or affixed.

"Expense Fund" means the fund by that name created by the Indenture to pay for costs of issuing the Bonds.

"Facility" means the real estate specifically described in the Mortgage and the buildings, improvements and fixtures constructed or to be constructed thereon and all substitutions therefor, additions thereto and replacements thereof, commonly known as "Greenwood Village South."

"Facility Revenues" means, for any period of determination thereof, the cash revenues received from the operation of the Facility and other cash receipts related thereto including, without limitation, Entrance Fees (net of refunds and excluding any initial Entrance Fees paid relating to the initial occupancy of any new units) and monthly service charges and fees paid by

residents of the Facility, unrestricted gifts relating to the Facility, insurance proceeds and interest earned on any thereof.

"First Supplemental Indenture" means the First Supplemental Trust Indenture dated as of October 1, 2000, between the Authority and the Trustee.

"First Supplemental Mortgage" means the First Supplemental Loan Agreement, Mortgage and Security Agreement dated as of October 1, 2000, between the Authority and the Corporation.

"Fiscal Year" means any twelve-month period beginning on July 1 of any calendar year and ending on June 30 of the next calendar year or such other consecutive twelve-month period selected by the Corporation with written notice thereof to the Trustee.

"Fitch" means Fitch Ratings, Inc., a corporation organized and existing under the laws of the state of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Corporation by notice to the Trustee, the Authority and the Remarketing Agent, and approved by the Credit Facility Issuer.

"Fixed Interest Rate Conversion Date" means the date on which the Series 2006 Bonds begin to bear interest at the Fixed Interest Rates, as more fully described in the Second Supplemental Indenture.

"Fixed Interest Rate Mode" means the aggregate of the characteristics which apply to the Series 2006 Bonds bearing interest at the Fixed Interest Rate.

"Fixed Interest Rate Period" means the period of time commencing on the Fixed Interest Rate Conversion Date and ending on the applicable Maturity of the Series 2006 Bonds.

"Fixed Interest Rates" means the rates of interest to be borne by the Series 2006 Bonds from and after the Fixed Interest Rate Conversion Date, which shall be the lowest rates which, in the judgment of the Remarketing Agent, are necessary to enable the Series 2006 Bonds to be remarketed at the principal amount thereof, plus accrued interest, if any, on the Fixed Interest Rate Conversion Date. The Fixed Interest Rates shall never exceed 15% per annum.

"Government Obligations" means securities which consist of (a) United States Government Obligations, or (b) evidences of a direct ownership in future interest or principal payments on United States Government Obligations, which Obligations are held in a custody account by a custodian satisfactory to the Trustee pursuant to the terms of a custody agreement.

"Gross Revenues" means all revenues of the Corporation from all sources, excluding restricted gifts and grants.

"Guaranteed Debt" means guaranties by the Corporation of the obligation of any Person.

"Indenture" means, collectively, the Original Indenture, as supplemented and amended by the First Supplemental Indenture and the Second Supplemental Indenture, and all amendments and supplements thereto.

"Independent Counsel" means an attorney, acceptable to the Credit Facility Issuer, duly admitted to practice law before the highest court of any state and, without limitation, may include independent legal counsel for the Authority, the Corporation, the Trustee or the Remarketing Agent.

"Independent Insurance Consultant" means a firm regularly engaged in selling commercial insurance and may include a firm from whom the Corporation purchases such insurance.

"Initial Confirmation" means the irrevocable confirmation of the Initial Credit Facility issued to the Trustee by the Initial Confirming Bank on the Closing Date.

"Initial Confirming Bank" means Banco Santander Central Hispano, S.A., New York Branch.

"Initial Credit Facility" means the irrevocable transferable direct pay letter of credit delivered by the Initial Credit Facility Issuer to the Trustee on the Closing Date.

"Initial Credit Facility Issuer" means Sovereign Bank.

"Intellectual Property Rights" means all of Corporation's know-how, trade secrets, copyrights, patents, trade names, trademarks (whether owned or licensed), servicemarks and licenses and the goodwill of the business associated with the foregoing, together with all right, title and interest of Corporation therein, including, without limitation, all common law rights, registrations, renewals of registrations, applications for new uses, the right to sue for past, present and future infringements thereof, and all other intellectual property rights necessary and proper to the continuation of the business associated with and symbolized by said trademarks, patents and copyrights.

"Interest Component" means the maximum amount stated in the Credit Facility (as reduced and reinstated from time to time in accordance with the terms thereof) which may be drawn for the payment of accrued interest on the Series 2006 Bonds or for the payment of the portion of the purchase price of Tendered Series 2006 Bonds corresponding to interest accrued on the Tendered Series 2006 Bonds.

"Interest Coverage Period" means the number of days which is used to determine the Interest Component, as described more fully in the Second Supplemental Indenture.

"Interest Coverage Rate" means the rate which is used to determine the Interest Component, initially 8% per annum and shall be specified for each subsequent Weekly Mode by the Remarketing Agent in writing to the Trustee at the time of the Variable Rate Conversion Date, as such rate may be changed from time to time by the Remarketing Agent subject to compliance with the Second Supplemental Indenture. In no case shall the Interest Coverage Rate be greater than the rate of interest secured by the Credit Facility.

"Interest Payment Date" means (a) with respect to a Weekly Rate Period, the first Business Day of each calendar month commencing August 1, 2006, or the first such date occurring after the Variable Rate Conversion Date with respect thereto; (b) with respect to Series 2006 Bonds in the Adjustable Long-Term Mode, each May 1 and November 1; (c) each Optional Tender Date; (d) each Mandatory Tender Date; (e) after the Fixed Interest Rate Conversion Date, each May 1 and November 1; and (f) for each Series 2006 Bond, the Maturity thereof.

"Interest Fund" means the fund by that name created by the Indenture to be used to pay interest on the Bonds.

"Interest Rate Agreement" means an interest rate exchange, hedge or similar agreement, expressly identified in a certificate of an officer of the Corporation as being entered into an order to hedge the interest payable on all or a portion of any indebtedness, which agreement may include, without limitation, an interest rate swap, a forward or futures contract or an option (e.g. a call, put, cap, floor, or collar) and which agreement does not constitute an obligation to repay money borrowed, credit extended or the equivalent thereof.

"Inventory" means all goods now owned or hereafter acquired by Corporation and intended for sale, all raw materials, parts, work-in-process, finished goods, and all materials and supplies which are used or which may be used in manufacturing, selling, packing, shipping, advertising or furnishing of goods, whether now owned or hereafter acquired or created and wherever located, as well as all proceeds (including, without limitation, insurance proceeds) of any of the foregoing.

"LOC Interest Account" means the separate account in the 2006 Interest Account which is created and established therein pursuant to the Second Supplemental Indenture.

"LOC Principal Account" means the separate account in the 2006 Sinking Fund Account which is created and established therein pursuant to the Second Supplemental Indenture.

"LOC Redemption Account" means the separate account in the Redemption Fund which is created and established therein pursuant to the Second Supplemental Indenture.

"Long-Term Debt" means (i) all indebtedness for borrowed money, including indebtedness incurred for refinancing purposes, or which has been incurred in connection with the acquisition of assets and (ii) the capitalized value of the liability under any lease of real or personal property which is properly capitalized on a balance sheet, in each case having a final maturity of more than one year from the date of creation thereof (or which is or may be renewable or extendable at the option of the obligor for a period or periods extending more than one year from the date of creation), but excluding, in each case, any portion thereof which is or may be properly included in current liabilities, all as determined in accordance with generally accepted accounting principles from time to time in effect.

"Management Consultant" means, subject to the proviso hereto, an independent firm, including any Manager, regularly engaged in the business of financial consulting for retirement and continuing care facilities selected by the Corporation and qualified to pass upon questions relating to the financial affairs, condition and operations of legal entities similar to the

Corporation and to make financial projections with respect thereto and having a favorable and nationally recognized reputation for skill and experience in the analysis of such financial affairs; provided, however, that the Manager shall not be deemed a Management Consultant for purposes of the provisions set forth hereinafter in the summary of the Mortgage under the caption "Rate Covenant."

"Manager" means the manager of the Facility, initially Life Care Services Corporation, an Iowa corporation.

"Mandatory Tender Date" means any date on which a Bondholder is required to tender any Series 2006A Bond for purchase in accordance with the Second Supplemental Indenture.

"Mandatorily Tendered Series 2006A Bonds" means the Series 2006A Bonds required to be tendered for purchase on a Mandatory Tender Date.

"Maturity" means May 1, 2036; provided, however, with respect to each Series 2006 Bond bearing interest at a Fixed Interest Rate which has been assigned a specific serial maturity date pursuant to the Second Supplemental Indenture, such serial maturity date.

"Maximum Annual Debt Service Requirement" means, at any given time of determination and with respect to any indebtedness, the maximum amount of principal and interest coming due thereon in the current or any succeeding Fiscal Year; provided, however, that:

(a) in the case of any indebtedness for which a sinking fund has been established, the principal due thereon shall be deemed to mature in each year in which a payment is required to be made into such sinking fund in the amount of such payment;

(b) payments on indebtedness which has been advance refunded shall be excluded as shall payments on indebtedness which are to be made from funds escrowed or deposited with a third party, and any reserve for debt service established with a third party for any indebtedness shall be deemed escrowed for the purpose of paying the installments of principal thereof in the inverse order of their maturity;

(c) in the event any Guaranteed Debt shall be incurred, the Maximum Annual Debt Service Requirement therefor shall be an amount equal to 20% of the maximum annual amount of principal and interest coming due on the obligation guaranteed, unless the Corporation is making payment thereon, in which case such Requirement shall be an amount equal to 100% of such maximum annual amount of principal and interest;

(d) in the event any Balloon Debt, Completion Debt, Put Debt or Variable Rate Debt shall be incurred, any computation of the Maximum Annual Debt Service Requirement therefor shall exclude such Balloon Debt, Completion Debt, Put Debt or Variable Rate Debt, as the case may be, and shall instead include the Projected Long-Term Debt certified by the underwriting or investment banking firm as a condition precedent to the issuance of such Balloon Debt, Completion Debt, Put Debt or Variable Rate Debt; and

(e) there shall be excluded from any computation of Maximum Annual Debt Service Requirement any amounts payable by the Corporation under any commitment securing Put Debt.

"Maximum Rate" means the lesser of (a) 15% per annum, (b) the maximum interest rate permitted by law, and (c) if the Series 2006 Bonds are in the Weekly Mode, the maximum interest rate stated in the Credit Facility. The maximum interest rate stated in the Initial Credit Facility is 8% per annum.

"Mode" means, as the context may require, the Adjustable Long-Term Mode, the Weekly Mode or the Fixed Interest Rate Mode.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the state of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Corporation by notice to the Trustee, the Authority and the Remarketing Agent, and approved by the Credit Facility Issuer.

"Mortgage" means, collectively, the Original Mortgage, as supplemented and amended by the First Supplemental Mortgage, the Second Supplemental Mortgage, the Third Supplemental Mortgage, the Supplemental Agreement and all amendments and supplements thereto.

"Mortgaged Property" means the property described in the granting clauses of the Mortgage plus any additional property which shall have been subjected to the lien thereof pursuant to the provisions of the Mortgage.

"Net Income Available for Debt Service" means, for any period of determination thereof, the Facility Revenues of the Corporation for such period (other than earned Entrance Fees, proceeds from the issuance of indebtedness and restricted gifts) minus the expenses of operating the Facility for such period other than interest, depreciation and amortization.

"Net Proceeds", when used with respect to any insurance or condemnation award, means the gross proceeds from the insurance or condemnation award with respect to which that term is used remaining after payment of all expenses (including attorneys' fees and any expenses of the Trustee) incurred in the collection of such gross proceeds.

"Non-Recourse Debt" means indebtedness incurred to finance or refinance the cost of specific assets, which by its terms provides that upon default in the payment thereof, the holder thereof is entitled to look solely to the assets so financed or refinanced for the payment of such indebtedness and not to any other property.

"Notes" means the 1998 Note, the Series 2000 Note, the Series 2006A Note, the Additional Notes and any Notes issued in exchange therefor pursuant to the Mortgage.

"Officer's Certificate" means a certificate of the Corporation executed by the President or any Vice President of the Corporation or any other person duly authorized by the Corporation.



"Official Statement" means the Official Statement relating to the Series 2006A Bonds.

"Operating Assets" shall mean any or all land, leasehold interests, buildings, machinery, furniture, fixtures, equipment, hardware, supplies and inventory of, or to be acquired by, the Corporation, whether separately or together with other such assets, all as determined in accordance with generally accepted accounting principles consistently applied.

"Opinion of Bond Counsel" means an opinion of nationally recognized municipal bond counsel, which opinion may be based upon a ruling or rulings of the Internal Revenue Service, and which counsel and opinion, including the scope, form, substance and other aspects thereof, are acceptable to the Authority and the Trustee.

"Optional Confirmation Termination Date" means the date established by the Corporation under the Second Supplemental Indenture, which date shall be at least five days prior to the stated Expiration Date of the Confirmation.

"Optional Redemption Fund" means the fund by that name created by the Indenture to be used for the purpose of redeeming Bonds.

"Optional Tender Date" means (i) with respect to the Series 2006 Bonds in the Weekly Mode, the date specified by a Bondholder in a Tender Notice for purchase in accordance with the Second Supplemental Indenture or (ii) with respect to the Series 2006 Bonds in the Adjustable Long-Term Mode, each Rate Change Date.

"Original Indenture" means the Trust Indenture, dated as of April 15, 1998, from the Authority to the Trustee.

"Original Mortgage" means the Loan Agreement, Mortgage and Security Agreement dated as of April 15, 1998, between the Authority and the Corporation.

"Original Purchasers" means B.C. Ziegler and Company (d/b/a Ziegler Capital Markets Group), the original purchasers of the Series 2006 Bonds.

"Outstanding" or "Bonds Outstanding" means all Bonds which have been duly authenticated, and delivered, by the Trustee under the Indenture, except:

- (a) Bonds canceled after purchase in the open market or because of payment at, or redemption prior to, Maturity;

- (b) Bonds for the payment or redemption of which either cash funds or Government Obligations shall have been theretofore deposited with the Trustee (whether upon or prior to the Maturity or redemption date of any such Bonds); provided that, if such Bonds are to be redeemed prior to the Maturity thereof, notice of such redemption shall have been given or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee, shall have been filed with the Trustee;

(c) Bonds in lieu of which others have been authenticated under the Second Supplemental Indenture;

(d) For the purpose of determining whether the owners of a requisite aggregate principal amount of outstanding Bonds have concurred in any request, demand, authorization, direction, notice, consent or waiver under the provisions of the Indenture, Bonds which are owned or held by the Corporation (other than Bank Bonds). (In determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver only Bonds (i) which are registered in the name of the Corporation or (ii) which the Trustee knows to be so owned shall be disregarded);

(e) After any Optional Tender Date, any Bond for which a Tender Notice was given in accordance with the Second Supplemental Indenture and which was not so tendered and for which amounts are on deposit with the Trustee to pay the purchase price therefor;

(f) After any Mandatory Tender Date, any Series 2006 Bond which was required to be tendered on such a Mandatory Tender Date in accordance with the Second Supplemental Indenture and which was not so tendered and for which amounts are on deposit with the Trustee to pay the purchase price therefor; and

(g) After the Fixed Interest Rate Conversion Date, for the purpose of all consents, approvals, waivers and notices required to be obtained or given under the Second Supplemental Indenture, Series 2006 Bonds held or owned by the Corporation or any Affiliate thereof.

"Parity Instruments" means instruments creating Parity Obligations.

"Parity Obligations" means the Series 2006B Note and any other obligations of the Corporation hereafter delivered pursuant to the Mortgage other than Additional Notes.

"Permitted Encumbrances" means, as of any particular time, (i) liens, charges and encumbrances, if any, listed in the Mortgage, (ii) liens for ad valorem taxes and special assessments not then delinquent, (iii) the Mortgage, the Indenture and Parity Instruments, (iv) utility, access and other easements and rights of way, restrictions and exceptions that will not materially interfere with or impair the operations being conducted in connection with the Facility (or, if no operations are being conducted therein, the operations for which the Facility was designed or last modified), (v) such minor defects, irregularities, encumbrances, easements, rights of way and clouds on title as normally exist with respect to properties similar in character to the Facility and as do not in the aggregate materially impair the property affected thereby for the purpose for which it was acquired or is held, (vi) leases of various functional areas of the Facility such as food facilities, a gift shop, pharmacy and other similar functional areas and leases of office space to physicians and all other rights of residency belonging to occupants of the Facility, (vii) purchase money security interests in equipment, all as defined in Article 9 of the Indiana Uniform Commercial Code, whether now existing or hereafter created, (viii) zoning laws and similar restrictions and liens arising in connection with workers' compensation,

unemployment insurance, taxes, assessments, statutory obligations or liens, social security legislation, undetermined liens and charges incidental to construction, or other similar charges arising in the ordinary course of operation and not overdue or, if overdue, being contested in good faith and such other liens and charges at the time required by law as a condition precedent to the transaction of the life care or health care activities of the Corporation or the exercise of any privileges or licenses necessary to the Corporation and (ix) security interests in the accounts of the Corporation, as defined in Article 9 of the Indiana Uniform Commercial Code, securing Short-Term Debt in a principal amount not exceeding 5% of Facility Revenues as shown by the most recently available audited financial statements of the Corporation.

"Person" means any natural person, firm, joint venture, association, partnership, business trust, corporation, limited liability company, public body, agency or political subdivision thereof or any other similar entity.

"Person" pursuant to the Mortgage, means any individual, corporation, partnership, association, joint stock company, joint venture, business trust, unincorporated organization, public body, agency or political subdivision thereof or any other similar entity.

"Pre-Refunded Municipal Obligations" means obligations of any state of the United States of America or of any municipal corporation or other public body organized under the laws of any such state which are rated, based on the escrow, in the-highest investment rating category by both Standard & Poor's Corporation and Moody's Investors Service and which have been irrevocably called for redemption and advance refunded through the deposit in escrow of Government Securities which are (i) not callable at the option of the Authority thereof prior to maturity, (ii) irrevocably pledged solely to the payment of all principal and interest on such obligations as the same becomes due and (iii) in a principal amount sufficient, together with the interest to be earned thereon, to pay all such principal and interest as the same becomes due, as verified by a nationally recognized firm of certified public accountants.

"Prime Rate" means the rate from time to time announced by the commercial banking department of the Trustee or any of its affiliates to be its prime rate on 90-day commercial loans.

"Principal Amount" means either (i) the first offering price of any issue of Bonds, not including accrued interest, if an issue has original issue discount or premium of two percent or more of the stated redemption price at maturity of the issue or (ii) the stated principal amount of the issue for any other issue of Bonds.

"Prior Bonds" means the Indiana Health Facility Financing Authority Revenue Bonds, Series 2000 (Greenwood Village South Project) in the original principal amount of \$2,305,000, dated October 1, 2000, issued pursuant to the First Supplemental Indenture.

"Proposed Fixed Interest Rate Conversion Date" means the date indicated in the written notice of the Corporation given pursuant to the Second Supplemental Indenture on which the Corporation intends to effect a conversion of the interest rate on the Series 2006A Bonds to the Fixed Interest Rate.

"Project" means the acquisition, construction, renovation, remodeling and equipping of certain facilities of the Corporation as set forth in the Project Certificate Exhibit.

"Project Certificate" means the Certificate Regarding the Financed Property and Expenditure of the Corporation delivered in connection with the issuance of the Bonds or any certificate relating to the use of proceeds of any Additional Bonds.

"Project Certificate Exhibit" means Exhibit A of the Project Certificate.

"Project Fund" means the fund by that name created by the Indenture to provide for payment of the costs of the Project.

"Projected Long-Term Debt" means, as of the date of any determination thereof, Long-Term Debt maturing in substantially equal annual payments of principal and interest over a period of 25 years from the date of issuance thereof at an average annual fixed rate of interest equal to the average annual fixed rate of interest attributable to comparable debt securities issued by or for the benefit of other not-for-profit corporations engaged in operating one or more life care facilities having a credit rating comparable to that of the Corporation maturing over a comparable period in such substantially equal annual payments then being offered for sale, all as shown by a certificate of an underwriting or investment banking firm experienced in reviewing or establishing such credit ratings and in marketing such securities. In determining the average annual fixed rate of interest for any Projected Long-Term Debt, the underwriting or investment banking firm shall consider whether the interest on the indebtedness for which the Projected Long-Term Debt is being calculated is exempt from federal income tax.

"Put Date" means any date on which Put Debt is payable, or is required to be purchased or redeemed, at the option of the holder of such Put Debt prior to its stated maturity date.

"Put Debt" means indebtedness for borrowed money, whether or not constituting Long-Term Debt, which is payable, or required to be purchased or redeemed, at the option of the holder thereof, prior to its stated maturity date.

"Qualified Investments" shall have the meaning set forth in the Second Supplemental Indenture.

"Rate Change Date" means, with respect to the Series 2006 Bonds in the Adjustable Long-Term Mode, any rate change date selected by the Corporation for the Series 2006 Bonds in the Adjustable Long-Term Mode pursuant to the Second Supplemental Indenture, which shall be a May 1 of any year.

"Rating Agency" means Moody's, Standard & Poor's or Fitch and their respective successors and assigns.

"Rebate Fund" means the fund by that name created by the Indenture to provide for the payment of any arbitrage profits to be rebated to the United States of America.

"Receivables" means all of Corporation's accounts (as defined in the UCC), health-care-insurance receivables (as defined in the UCC), accounts receivable, notes, bills, drafts,

acceptances, instruments, documents, chattel paper and all other debts, obligations and liabilities in whatever form owing to Corporation from any person, corporation or other entity for goods (as defined in the UCC) sold by it or for services rendered by it, or however otherwise established or created, all guaranties and security therefor, all right, title and interest of Corporation in the goods or services which have given rise thereto, including rights to reclamation and stoppage in transit and all rights of an unpaid seller of goods or services; all whether any of the foregoing be now existing or hereafter arising, now or hereafter received by or owing or belonging to Corporation. In addition, and without limitation of the foregoing, the term "Receivables" will be deemed to include (i) all entrance fees and monthly fees arising out of the retirement community operated by Corporation and all reimbursement amounts and other payments from time to time owed to Corporation, in respect of services at its facility or otherwise, by the State of Indiana or any other governmental entity or any agency thereof, and (ii) all charitable pledges from time to time made by other persons to Corporation and the proceeds thereof; excluding, however, any such charitable pledges which are restricted by law or donative instrument so that none of the obligations secured by the foregoing collateral may be paid from same.

"Record Date" means, (1) with respect to the Series 2006A Bonds while in the Weekly Mode, the Business Day immediately preceding each Interest Payment Date or principal payment date, and (2) with respect to the Series 2006A Bonds while in the Adjustable Long-Term Mode or the Fixed Interest Rate Mode, the first day (whether or not a Business Day) of the calendar month in which each Interest Payment Date occurs.

"Remarketing Agent" means the placement or remarketing agent at the time serving as such under the Remarketing Agreement and designated as the Remarketing Agent for purposes of the Second Supplemental Indenture. The initial Remarketing Agent is B.C. Ziegler and Company d/b/a Ziegler Capital Markets Group.

"Remarketing Agreement" means the Remarketing Agreement dated as of July 1, 2006 between the Corporation and the Remarketing Agent as from time to time amended and supplemented, or if such Remarketing Agreement shall be terminated, then such other agreement which may from time to time be entered into with any Remarketing Agent with respect to the remarketing or placement of the Series 2006 Bonds.

"Renewal Confirmation" means a Confirmation which has been issued with terms and conditions substantially similar to, and by the same provider of, the Confirmation and substitution for which the Renewal Confirmation is to be provided, except for:

- (a) an extension of the Confirmation Stated Expiration Date;
- (b) an increase or decrease in the Interest Coverage Rate or the Interest Coverage Period;
- (c) an increase or decrease in the Interest Component;

(d) an increase or decrease in the portion of the Confirmation designated to purchase Series 2006 Bonds to the extent required or permitted by the Second Supplemental Indenture;

(e) changes in the business covenants contained in the fees payable pursuant to and the interest rate on advances under the Confirmation; or

(f) any combination of the foregoing;

provided, however, that any of the changes to the Confirmation described in clauses (b) and (c) above shall be accompanied by a written confirmation that the rating on the Series 2006 Bonds would not be lowered or withdrawn as a result of such changes by each Rating Agency then maintaining a rating on the Series 2006 Bonds.

"Renewal Credit Facility" means a Credit Facility provided in accordance with the Second Supplemental Mortgage which has been issued with terms and conditions substantially similar to, and by the same provider of, the Credit Facility in substitution for which the Renewal Credit Facility is to be provided, except for:

(a) an extension of the Stated Expiration Date;

(b) an increase or decrease in the Interest Coverage Rate or the Interest Coverage Period;

(c) an increase or decrease in the Interest Component;

(d) an increase or decrease in the portion of the Credit Facility designated to purchase Series 2006 Bonds to the extent required or permitted by the Second Supplemental Indenture;

(e) changes in the business covenants contained in, the fees payable pursuant to and the interest rate on advances made under the Credit Facility Agreement; or

(f) any combination of the foregoing.

provided, however, that any changes to the Credit Facility described in clauses (b) and (c) above shall be accompanied by a written confirmation that the rating on the Series 2006 Bonds would not be lowered or withdrawn as a result of such changes by each Rating Agency then maintaining a rating on the Series 2006 Bonds; provided, if the existing Credit Facility is confirmed by an existing Confirmation at such time, the Renewal Credit Facility will be deemed to be an Alternate Credit Facility unless the existing Confirming Bank provides a Renewal Confirmation in connection with the provision of a Renewal Credit Facility.

"Renewal Credit Facility Agreement" means, with respect to any Renewal Credit Facility, the agreement pursuant to which the Credit Facility Issuer agrees to issue such Renewal Credit Facility or allow the prior Credit Facility to be renewed; a Renewal Credit Facility Agreement may consist of a supplement or amendment to the existing Credit Facility Agreement.

"Renewal Date" means a date which is five days prior to the Stated Expiration Date of the Credit Facility at the time in effect (or the next preceding Business Day if such day is not a Business Day).

"Reset Rate" means, while the Series 2006 Bonds are in the Adjustable Long-Term Mode, the interest rate determined pursuant to the Second Supplemental Indenture to be applicable to the Series 2006 Bonds on and after the next Rate Change Date.

"Revenue Fund" means the fund by that name created by the Indenture into which the amounts payable by the Corporation on the Notes and under the Mortgage are initially deposited.

"Second Supplemental Indenture" means the Second Supplemental Trust Indenture dated as of July 1, 2006, between the Authority and the Trustee.

"Second Supplemental Mortgage" means the Second Supplemental Loan Agreement, Mortgage and Security Agreement dated as of July 1, 2006 between the Authority and the Corporation.

"Series 1998 Bonds" means the Indiana Health Facility Financing Authority Revenue Refunding Bonds, Series 1998 (Greenwood Village South Project), dated April 15, 1998, issued in the original principal amount of \$15,300,000.

"Series 2000 Bonds" means the Indiana Health Facility Financing Authority Revenue Bonds, Series 2000 (Greenwood Village South Project), dated October 1, 2000, issued in the original principal amount of \$2,305,000.

"Series 2006 Bonds" means the \$22,000,000 aggregate principal amount of Indiana Health and Educational Facility Financing Authority Variable Rate Demand Revenue Bonds, Series 2006A (Greenwood Village South Project), authorized to be issued pursuant to the terms and conditions of the Indenture.

"Series 1998 Note" means the First Mortgage Note, Series 1998 dated April 15, 1998 of the Corporation payable to the order of the Authority in the principal amount of \$15,300,000 and issued under the Mortgage and any Notes issued in exchange or substitution therefor under the Mortgage.

"Series 2000 Note" means the First Mortgage Note, Series 2000 dated October 1, 2000 of the Corporation payable to the order of the Authority in the principal amount of \$2,305,000 and issued under the Mortgage and any Notes issued in exchange or substitution therefor under the Mortgage.

"Series 2006A Note" means the \$22,000,000 aggregate principal amount Promissory Note, Series 2006A of the Corporation, issued under the Second Supplemental Mortgage in substantially the form attached to the Second Supplemental Mortgage, as security for the Series 2006 Bonds.

"Series 2006B Note" means the Promissory Note, Series 2006B of the Corporation issued under the Supplemental Agreement, in substantially the form attached thereto, as security for the Initial Credit Facility.

"Short-Term Debt" means indebtedness for borrowed money having a final maturity of less than one year from the date of creation thereof (or which is or may be extendable at the option of the obligor thereof for a period or periods not extending more than one year from the date of creation).

"Standard & Poor's" means Standard & Poor's Rating Service, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Standard & Poor's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Corporation by notice to the Trustee, the Authority and the Remarketing Agent, and approved by the Credit Facility Issuer.

"Stated Expiration Date" means the stated date of expiration or termination of the Credit Facility, including any extensions thereof.

"Subordinated Debt" means, generally, indebtedness of the Corporation, the principal of and interest on which may not be paid at any time when the Notes or the Parity Obligations are in default or while bankruptcy, insolvency, receivership or other similar proceedings are underway and while all Notes and Parity Obligations have not been paid in full. The term "Subordinated Debt" is defined in full in Exhibit D to the Mortgage.

"Subordinated Management Fees" means management fees payable by the Corporation to the Manager pursuant to a written agreement containing the subordination provisions substantially in the form set forth in Exhibit E to the Mortgage.

"Substitution Date" means the date specified pursuant to the Second Supplemental Indenture upon which an Alternate Credit Facility is to be substituted for the Credit Facility then in effect which shall be a Business Day.

"Supplemental Agreement" means the Supplemental Agreement Constituting a Parity Instrument dated as of July 1, 2006, between the Corporation and the Authority, which supplements the Mortgage.

"Swap" means the ISDA Master Agreement between the Corporation and Morgan Stanley Capital Services, Inc. (including the schedule and the transaction confirmation, as amended from time to time).

"Tax Representation Documents" the Tax Representation Certificate of the Corporation and the Authority's Certificate Re: Arbitrage relating to the Series 2006 Bonds dated the Closing Date as they may from time to time be amended or supplemented.

"Tender Notice" means the notice from a Bondholder to the Trustee of an Optional Tender Date in accordance with the provisions set forth in the Second Supplemental Indenture.



"Tender Price" means 100% of the principal amount of any Series 2006A Bond plus, if an Optional Tender Date is not an Interest Payment Date, interest accrued and unpaid thereon to, but not including, the Optional Tender Date with respect to such Series 2006A Bond.

"Tendered Series 2006A Bonds" means Optionally Tendered Series 2006A Bonds and Mandatorily Tendered Series 2006A Bonds.

"Third Supplemental Mortgage" means the Third Supplemental Loan Agreement, Mortgage and Security Agreement dated as of July 1, 2006 between the Authority and the Corporation.

"Threshold Amount" means, as of the date of any determination thereof, the greater of (i) 3% of net property, plant and equipment, as shown by the most recently available audited financial statements of the Corporation, or (ii) \$500,000.

"Trustee" means U.S. Bank National Association (successor to National City Bank of Indiana), as Trustee, or any successor trustee under the Indenture.

"UCC" means the Uniform Commercial Code as in effect from time to time in Indiana.

"United States Government Obligations" means noncallable direct obligations of, or obligations the timely payment of the principal of and interest on which is fully guaranteed by, the United States of America including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America.

"Variable Rate" means, with respect to the then-effective Variable Rate Period, the lowest interest rate which, in the judgment of the Remarketing Agent, would enable the Series 2006 Bonds to be remarketed at the principal amount thereof, plus accrued interest thereon, if any, on the Variable Rate Adjustment Date with respect thereto (or, if the Remarketing Agent for any reason fails to determine such rate, the rate determined in accordance with the provisions set forth in the Second Supplemental Indenture.

"Variable Rate Adjustment Date" means the first day of each Variable Rate Period.

"Variable Rate Conversion Date" means a date on which the Series 2006 Bonds (a) begin to bear interest at a Weekly Rate after an Adjustable Long-Term Rate Period, (b) begin to bear interest at an Adjustable Long-Term Rate after a Weekly Rate Period, or (c) begin to bear interest at an Adjustable Long-Term Rate for an Adjustable Long-Term Rate Period which is of a different length than the preceding Adjustable Long-Term Rate Period except when shorter by reason of Maturity. The Variable Rate Conversion Date shall be the date set forth in the Second Supplemental Indenture.

"Variable Rate Debt" means Long-Term Debt other than Put Debt or Balloon Debt which bears interest at a rate that is variable.

"Variable Rate Period" means each Weekly Rate Period and Adjustable Long-Term Rate Period.

"Weekly Mode" means the aggregate of the characteristics which apply to the Series 2006 Bonds bearing interest at the Weekly Rate.

"Weekly Rate" means the rate of interest on the Series 2006 Bonds during a Weekly Rate Period.

"Weekly Rate Period" means a rate period from and commencing on Thursday of any calendar week and including and ending on Wednesday of the next calendar week; provided, however, that if the rate period is changed from an Adjustable Long-Term Rate Period to a Weekly Rate Period, the Weekly Rate Period next succeeding such change shall commence on the first Business Day of a calendar month and may be of such duration between one and 13 days as the Remarketing Agent shall determine is necessary to effectuate such change in the Rate Period, and if the Rate Period is changed from a Weekly Rate Period to an Adjustable Long-Term Rate Period, the Weekly Rate Period next preceding such change shall end on the first day preceding the first Business Day of the next succeeding month, and may be of such duration between one and 13 days as the Remarketing Agent shall determine is necessary to effectuate such change in the Rate Period, and if the Rate Period is changed from a Weekly Rate Period to the Fixed Interest Rate Period, the Weekly Rate Period next preceding such change shall end on the Proposed Fixed Interest Rate Conversion Date, and may be of such duration between one and 13 days as the Remarketing Agent shall determine is necessary to effectuate such change in the Rate Period.

"Written Request" pursuant to the Mortgage means a request in writing signed by the President or any Vice President of the Corporation or any other officer of the Corporation satisfactory to the Trustee.

"Written Request" pursuant to the Indenture, means with reference to the Authority shall mean a request in writing signed by the Chair or Vice Chair of the Authority and with reference to the Corporation shall mean such a request signed by the President or any Vice President of the Corporation or any other officer of the Corporation satisfactory to the Trustee.

## **SUMMARY OF THE PRINCIPAL DOCUMENTS**

The summaries of the Mortgage and the Indenture hereinafter set forth are not complete and reference is hereby made to all of such documents for a full statement of the terms and provisions thereof. Copies of such documents may be obtained from the Original Purchasers during the period the Series 2006 Bonds are being offered and thereafter from the Trustee upon request. The definitions of certain words and terms used in these summaries and in the documents themselves are set forth in this Appendix D under the caption "Definitions of Certain Terms."

## **THE MORTGAGE**

The following is a summary of certain provisions of the Original Mortgage as supplemented by the First Supplemental Mortgage and a Second Supplemental Mortgage, to which reference is hereby made for a more complete description of its terms.

### **Assignment of Rights Under Mortgage**

Pursuant to the Mortgage, the Corporation has granted, assigned and mortgaged to the Authority and its successors and assigns the following to secure payment (collectively the "Mortgaged Property"):

The real estate described in the Original Mortgage, together with the entire interest (whether now owned or hereafter acquired) in and to said real estate and the entire interest of the Corporation in and to all buildings, structures, improvements and appurtenances now standing, or at any time thereafter or hereafter constructed upon such real estate, including all right, title and interest of the Corporation in and to all building materials, building equipment and fixtures of every kind and nature whatsoever on said real estate or in any building, structure or improvement now, thereafter or hereafter constructed on said real estate, and the reversion or reversions, remainder or remainders, in and to said real estate, and together with the entire interest of the Corporation in and to all and singular the tenements, hereditaments, easements, rights of way, rights, privileges and appurtenances to said real estate, belonging or in any way appertaining thereto, and all right, title and interest of the Corporation in and to any streets, ways or alleys adjoining said real estate or any part thereof, including all bridges thereover and tunnels thereunder, including, without limitation, all claims or demands whatsoever of the Corporation either in law or in equity, in possession or expectancy of, in and to said real estate, it being the intention of the parties that so far as may be permitted by law, all tangible property now owned or thereafter or hereafter acquired by the Corporation and affixed to or attached to said real estate shall be deemed to be, and shall be considered as, fixtures and appurtenances to said real estate of the Corporation, together with all rents, income, issues and profits therefrom;

The Equipment, owned by the Corporation and now or hereafter located on the real estate described in the Mortgage, other than motor vehicles, it being understood that the foregoing does not include Equipment which is leased, but not owned, by the Corporation; the Gross Revenues of the Corporation; all Receivables; all contracts and contract rights; all rights to the payment of money; all obligations owing to Corporation of every kind and nature; and all tax refunds of every kind and nature, including, without limitation, loss carryback refunds; and all of the foregoing whether now existing or hereafter acquired or arising; all Inventory; all Intellectual Property Rights; all general intangibles, goodwill, customer lists, choses in action, chattel paper, documents and instruments (whether negotiable or non-negotiable and regardless of attachment to chattel paper), whether arising out of, relating to or evidencing all or any of the foregoing collateral or otherwise, and all whether now existing and owned by Corporation or hereafter acquired or arising; all liens, guaranties, securities, rights, remedies and privileges pertaining to, and all products and proceeds (including, without limitation, insurance proceeds) of and all accessions to, any of the foregoing items of collateral (all whether now existing and owned by Corporation or hereafter arising or acquired); and all information, data, files, writings, correspondence, books and records (including, without limitation, all electronically recorded data) relating to any of the foregoing items of collateral (all whether now existing and owned by Corporation or hereafter arising or acquired); provided, however, that there shall be excluded from the collateral all gifts, grants, bequests, donations and contributions heretofore or hereafter made to Corporation, to the extent that same are designated or restricted at the time of making thereof by the donor or maker as being for certain specified purposes so that same may not be

applied to any of the obligations of Corporation under the Mortgage (the foregoing collectively referred to as the "Collateral"); and

Any and all other property of every kind and nature from time to time hereafter, by delivery or by writing of any kind, conveyed, pledged, assigned or transferred as and for additional security under the Mortgage by the Corporation or by anyone on its behalf to the Authority or the Trustee, including, with respect to the Notes and Bonds (but excluding with respect to the Parity Obligations) without limitation, funds held by the Trustee as security for the Bonds (except for the Rebate Fund and the Purchase Fund);

The Mortgage and security interest in the above-described Mortgaged Property is subject to Permitted Encumbrances.

### **Payment of Obligations Absolute**

The Corporation agrees with and for the express benefit of the Authority, the Trustee, and the holders of the Bonds that all payments pursuant to the Mortgage and to the Notes shall be made by the Corporation on or before the date the same become due, and the Corporation shall perform all of its other obligations, covenants and agreements under the Mortgage without notice or demand (except as provided in the Mortgage), and without abatement, deduction, reduction, diminishment, waiver, abrogation, set-off, counterclaim, recoupment, defense or other modification or any right of termination or cancellation arising from any circumstance whatsoever, whether now existing or hereafter arising, and regardless of any act of God, contingency, event or cause whatsoever, and irrespective (without limitation) whether the Corporation's title to the Facility or to any part thereof is defective or nonexistent, and notwithstanding any damage to, or loss, theft or destruction of, the Facility or any part thereof, expiration of the Mortgage, any failure of consideration or frustration of purpose, the taking by eminent domain or otherwise of title to or of the right of temporary use of, all or any part of the Facility, legal curtailment of the Corporation's use thereof, any assignment, novation, merger, consolidation, transfer of assets, leasing or other similar transaction of or affecting the Corporation, whether with or without the approval of the Authority, any change in the tax or other laws of the United States of America, the State of Indiana or any political subdivision thereof, any change in the Authority's legal organization or status, or any default of the Authority under the Mortgage, and regardless of the invalidity of any portion of the Mortgage or of any other reason; and the Corporation waives, to the extent permitted by law, the provisions of any statute or other law now or hereafter in effect impairing or conflicting with any of its obligations, covenants or agreements under the Mortgage or which releases or purports to release the Corporation therefrom.

### **Payment in Respect of Notes and Under the Mortgage**

Under the terms of the Mortgage, the Corporation agrees to pay the Trustee such amounts at such times as to provide for payment of the principal of, premium, if any, and interest on the outstanding Bonds under the Indenture when due whether upon a scheduled Interest Payment Date, at maturity or by mandatory redemption and optional redemption, acceleration or otherwise upon the Bonds. All payments due on the Notes, except for certain enumerated payments

described in the Mortgage, shall be paid directly to the Trustee and applied in the manner provided in the Indenture.

In addition to the foregoing payments, in the event that moneys are transferred by the Trustee from the Debt Service Reserve Fund to the Interest Fund or the Bond Sinking Fund, the Corporation is required to pay the Trustee the amount of any such transfer in not more than 12 substantially equal consecutive monthly payments beginning no later than the first day of the seventh month after the month in which such transfer occurs.

### **Optional Prepayment of Notes**

The Corporation may, at its option and subject to the limitations of the Indenture, prepay any Notes in whole or in part (but if in part, then in units of \$5,000 or any integral multiple of \$1,000 in excess thereof). Such prepayments shall be made by paying to the Trustee an amount sufficient to redeem (when redeemable) all or a portion of the corresponding series of Bonds, as the case may be, at the redemption prices specified therefor in the Indenture. In the event that less than all of any series of Bonds is to be redeemed, any amount prepaid to redeem serial Bonds shall be credited against the installment or installments of principal due on the Notes corresponding to the maturities of the Bonds to be redeemed, and any amount so paid which is to be used to redeem Bonds subject to mandatory redemption shall be credited in the order of maturity of the principal installments of the Notes corresponding to such mandatory redemption payments.

### **Use of the Facility**

The Corporation will use the Facility only in furtherance of the lawful corporate purposes of the Corporation and as a health facility within the meaning of the Act and will not use the Facility or any part thereof in a manner which is prohibited by (i) the Establishment of Religion Clause of the First Amendment to the Constitution of the United States of America and the decisions of the United States Supreme Court interpreting the same or (ii) any comparable provision of the Constitution of the State of Indiana and the decisions of the Indiana Supreme Court interpreting the same. The foregoing restrictions, however, shall not be construed to prevent the Corporation from (i) maintaining a chapel for the use of residents, patients, employees and visitors as part of the Facility or (ii) implementing pastoral care programs.

### **Removal of Equipment from the Facility**

The Authority shall not be under any obligation to renew, repair or replace any inadequate, obsolete, worn out, unsuitable, undesirable or unnecessary equipment located in the Facility. In any instance where the Corporation in its sole discretion determines that any items of such equipment have become inadequate, obsolete, worn out, unsuitable, undesirable or unnecessary, the Corporation may remove such items of such equipment from the Facility and sell, trade-in, exchange or otherwise dispose of them (as a whole or in part) without any responsibility or accountability to the Authority therefor, provided that the Corporation substitutes and installs anywhere in the Facility other machinery or equipment having equal or greater utility (but not necessarily having the same function) in the operation of the Facility and provided further that such removal and substitution shall not impair the operating viability of the

Facility. The Corporation shall not be required to install other machinery or equipment in substitution for any equipment removed pursuant to the preceding sentence if, in the reasonable opinion of management of the Corporation, such substitution is not necessary to preserve the operating viability of the Facility. Notwithstanding the foregoing, the Corporation may remove or dispose of equipment in accordance with the Mortgage only to the extent such removal or disposal does not violate the terms and provisions of the Project Certificate.

### **Permitted Indebtedness**

The Corporation will not incur, assume or guarantee any indebtedness or liability required by generally accepted accounting principles from time to time in effect to be shown or noted on the liability side of a balance sheet except for:

(a) indebtedness, guarantees and other liabilities of the Corporation existing on the date of execution and delivery of the Mortgage (including the Corporation's liabilities under the Mortgage and under the Notes;

(b) liabilities of the Corporation (other than for borrowed money) incurred in the regular course of the operations of the Corporation, including, without limitation, bank overdrafts incurred in the ordinary course of operations and liabilities as lessee under leases of real or personal property which are not required to be capitalized on the balance sheet of the Corporation in accordance with such generally accepted accounting principles and contributions to self-insurance programs otherwise permitted by the Mortgage, or if such liabilities have not been so incurred, for the payment of which moneys have been deposited in a fund restricted for such purpose;

(c) Long-Term Debt of the Corporation in addition to any Long-Term Debt included within the foregoing paragraphs (a) and (b) provided that, except as otherwise provided in the next succeeding clauses (I) and (II), the Corporation shall at the time of issuance thereof deliver to the Trustee either:

(1) *Reports as to Historical Pro-Forma Coverage.* A report or opinion of an independent certified public accountant to the effect that either:

(x) for each of the two Fiscal Years of the Corporation next preceding the issuance of such Long-Term Debt for which audited income statements are available, Net Income Available for Debt Service was not less than 125% of the Maximum Annual Debt Service Requirement on all Covered Debt to be Outstanding following the issuance of the Long-Term Debt then proposed to be issued and the application of the proceeds thereof; or

(y) for the Fiscal Year next preceding the issuance of such Long-Term Debt for which an audited income statement is available, Net Income Available for Debt Service was not less than 150% of the Maximum Annual Debt Service Requirement on all Covered Debt to be

Outstanding following the issuance of the Long-Term Debt then proposed to be issued and the application of the proceeds thereof; or

(2) *Reports on Historical Coverage and Forecasted Pro-Forma Coverage.* The following reports or opinions:

(x) A report or opinion of an independent certified public accountant to the effect that for each of the two Fiscal Years of the Corporation next preceding the issuance of such Long-Term Debt for which audited income statements are available, Net Income Available for Debt Service was not less than 120% of the Maximum Annual Debt Service Requirement on all Covered Debt then Outstanding other than the Long-Term Debt then proposed to be issued; and

(y) A report or opinion of a Management Consultant to the effect that the estimated annual Net Income Available for Debt Service will be not less than 120% of the Maximum Annual Debt Service Requirement on all Covered Debt to be Outstanding after giving effect to the issuance of such Long-Term Debt and the application of the proceeds thereof (i) for each of the two Fiscal Years of the Corporation following the completion of any acquisition, construction, renovation or replacement of any capital assets or improvements being financed with any of the proceeds of such Long-Term Debt or (ii) if none of the proceeds of such Long-Term Debt are being used to finance any such acquisition, construction, renovation or replacement, then for each of the two Fiscal Years of the Corporation following the issuance of such Long-Term Debt, including the then current Fiscal Year; provided, however, that notwithstanding the foregoing:

(I) the reports or opinions set forth in either of the foregoing clauses (1) and (2) need not be delivered if such Long-Term Debt is incurred for refunding or advance refunding purposes and if, after giving effect to the issuance of such Long-Term Debt and to the application of the proceeds thereof, the Maximum Annual Debt Service Requirement on all Covered Debt then to be Outstanding does not exceed 110% of the Maximum Annual Debt Service Requirement on all Covered Debt Outstanding immediately prior to such issuance, as evidenced by an Officer's Certificate of the Corporation delivered to the Trustee concurrently with such issuance; and

(II) in the event that a Management Consultant shall deliver a report to the Trustee to the effect that state or federal laws or regulations then in existence do not permit the Corporation to produce the required levels of Net Income Available for Debt Service set forth above, then such levels shall be reduced to the

maximum amount then permitted by such laws or regulations, but in no event to less than 100%;

(d) Guaranteed Debt consisting of guaranties by the Corporation of the obligations of any Person, provided that at the time of the giving or making of any such guaranty, the Corporation shall deliver to the Trustee the reports or opinions set forth in either clause (1) or (2) of the foregoing paragraph (c), prepared as though the obligation guaranteed were Long-Term Debt of the Corporation, except that only 20% of the maximum annual amount of principal and interest coming due on such obligation shall be included in determining the Maximum Annual Debt Service Requirement therefor;

(e) Balloon Debt of the Corporation, provided that at the time of issuance thereof (i) either (x) after giving effect thereto and to the application of the proceeds thereof, the aggregate unpaid principal amount of all Balloon Debt does not exceed 15% of Facility Revenues as shown by the most recently available audited financial statements of the Corporation or (y) there exists a binding commitment, subject only to commercially reasonable contingencies, by a financial institution generally regarded as responsible, to provide financing sufficient to pay such Balloon Debt at its maturity and (ii) the Corporation shall deliver to the Trustee the reports or opinions set forth in either clause (1) or (2) of the foregoing paragraph (c), prepared as though such Balloon Debt were Projected Long-Term Debt;

(f) Completion Debt of the Corporation, provided that at the time of issuance thereof the Corporation shall deliver to the Trustee: (i) a statement of an Independent Architect setting forth the amount estimated to be needed to complete the project with respect to which such Completion Debt is to be issued, and (ii) an Officer's Certificate of the Corporation demonstrating how such Completion Debt would be repaid if it were Projected Long-Term Debt and stating that the proceeds of such Completion Debt to be applied to the completion of such project, together with a reasonable estimate of investment income to be earned on such proceeds and available to pay such costs, the amount of moneys, if any, committed to such completion from available cash or marketable securities and reasonably estimated earnings thereon, enumerated bank loans (including letters or lines of credit) and federal or state grants reasonably expected to be available, will be in an amount not less than the amount set forth in the statement of an Independent Architect referred to in clause (i) above;

(g) Put Debt of the Corporation secured by a commitment from a foreign or domestic financial institution to purchase such Put Debt on any Put Date, provided that at the time of issuance of such Put Debt the Corporation shall deliver to the Trustee the reports or opinions set forth in either clause (1) or (2) of the foregoing paragraph (c), prepared as though such Put Debt were Projected Long-Term Debt;

(h) Variable Rate Debt of the Corporation, provided that at the time of issuance of such Variable Rate Debt the Corporation shall deliver to the Trustee the reports or opinions set forth in either clause (1) or (2) of the foregoing paragraph (c), prepared as though such Variable Rate Debt were Projected Long-Term Debt;



(i) Short-Term Debt of the Corporation provided that: (i) at the time of issuance thereof and after giving effect thereto and to the application of the proceeds thereof, the aggregate principal amount of all such Short-Term Debt then outstanding does not exceed 10% of Facility Revenues as shown by the most recently available audited financial statements of the Corporation; (ii) in each consecutive 365 day period there shall be a period of 20 consecutive days in which the aggregate principal amount of all such Short-Term Debt does not exceed 5% of such Facility Revenues; and (iii) the Corporation may incur Short-Term Debt in any amount, and without regard to the limitations contained in the preceding clauses (i) and (ii), if the Corporation shall deliver to the Trustee an Officer's Certificate stating that the reason for the incurrence of such Short-Term Debt is a temporary delay in the receipt of funds owing from third parties other than residents of the Facility;

(j) Non-Recourse Debt of the Corporation;

(k) Subordinated Debt of the Corporation; and

(l) other indebtedness of the Corporation including guaranties, whether or not constituting Long-Term Debt, in addition to the indebtedness permitted by the preceding paragraphs (a) through (k), provided that at the time of issuance thereof and after giving effect thereto and to the application of the proceeds thereof, the aggregate unpaid principal amount of all such indebtedness and guaranties then outstanding does not exceed 10% of Facility Revenues as shown on the most recently available audited financial statements of the Corporation.

Any indebtedness issued or guaranteed by the Corporation pursuant to any of the preceding paragraphs may at any time and from time to time, if the same shall then be permitted to be issued or guaranteed pursuant to another paragraph, be re-classified as having been issued or guaranteed pursuant to such other paragraph by delivery to the Trustee of an Officer's Certificate of the Corporation setting forth the fact of such reclassification, which Certificate shall be supported by the documents and showings, if any, which would be required if such indebtedness or guaranty were then being issued pursuant to such other paragraph.

Any portion of any indebtedness of the Corporation for which an Interest Rate Agreement has been obtained by the Corporation shall be deemed to bear interest for the period of time that such Interest Rate Agreement is in effect at a net rate which takes into account the interest payments made by the Corporation on such indebtedness and the payments made or received by the Corporation on such Interest Rate Agreement; provided that the long-term credit rating of the provider of such Interest Rate Agreement (or any guarantor thereof) is in one of the two highest rating categories of each rating agency then rating the associated indebtedness (without regard to any refinements of gradation of rating category by numerical modifier or otherwise). In addition, so long as any indebtedness is deemed to bear interest at a rate taking into account an Interest Rate Agreement, any payments made by the Corporation on such Interest Rate Agreement shall be excluded from expenses and any payments received by the Corporation on such Interest Rate Agreement shall be excluded from revenues, in each case, for all purposes of the Mortgage. No additional indebtedness shall be deemed to arise when an Interest Rate Agreement is entered into or terminated with respect to any indebtedness. **This paragraph has**

been amended pursuant to the Third Supplemental Mortgage. See "THIRD SUPPLEMENTAL MORTGAGE" summarized herein.

**Issuance of Additional Notes and Parity Obligations**

Subject to the terms and conditions set forth in the Mortgage and in the Indenture, so long as no Event of Default (as defined in the Mortgage) has occurred and is continuing, the Corporation from time to time after the execution and delivery of the Mortgage may, with the consent of the Authority, issue and deliver to the Authority (but only to the Authority) as evidence of a loan made from Bond proceeds one or more Additional Notes secured by the Mortgage in addition to the Notes or may issue and deliver to the Authority or any other entity as evidence of a loan made from a source other than Bond proceeds, Parity Obligations equally and ratably secured with the Notes by the lien and security interest of the Mortgage, for one or more of the purposes of:

- (a) obtaining funds to refund and retire any Notes or Parity Obligations at the time outstanding, if such Notes or Parity Obligations may otherwise be prepaid in full;
- (b) obtaining funds for the advance refunding of any Notes or Parity Obligations at the time outstanding, regardless of whether such Notes or Parity Obligations may be prepaid in full at such time;
- (c) financing the cost or estimated cost of completing any "health facility property" (as defined in the Act) financed or refinanced, in whole or in part, with any proceeds of any Bonds issued under the Indenture;
- (d) financing the cost or estimated cost of acquiring and/or constructing additional improvements or other capital assets owned or to be owned by the Corporation; provided, however, that if such additional improvements or other capital assets are to be located on real estate not included within the Mortgaged Property then (i) if Additional Notes are being issued, such real estate shall be made a part of the Mortgaged Property by an amendment to the Mortgage or (ii) if Parity Obligations are being issued, such real estate shall be made subject to the lien of the Parity Instrument creating such Parity Obligations as collateral for the Notes and Parity Obligations; or
- (e) obtaining funds for any other purpose permitted by applicable law.

The principal amount of any Additional Notes or Parity Obligations issued pursuant to the foregoing clauses (a) or (b) shall not exceed the unpaid principal amount of the Notes or Parity Obligations being refunded and retired, together with any prepayment premium payable in connection therewith, unpaid interest that will accrue thereon to the date of prepayment and the amount of any funds deemed necessary to establish reserves for such Additional Notes or Parity Obligations or to pay expenses of issuance thereof. The principal amount of any Additional Notes or Parity Obligations issued pursuant to the foregoing clause (c) shall not exceed the cost or estimated cost of completing the "health facility property" (as defined in the Act), together with the amount of any funds deemed necessary to establish reserves for such Additional Notes or Parity Obligations, to pay interest thereon during the estimated construction period, if any, of

the project in question and to pay expenses of issuance thereof or any other costs permitted by the Act. The Corporation agrees that the proceeds from the loan evidenced by Additional Notes or Parity Obligations issued pursuant to the foregoing clause (c), after provision for reserves, capitalized interest and expenses of issuance is made, shall be deposited in a construction fund established therefor under the Indenture or any supplement thereto and that the proceeds from a loan evidenced by Additional Notes or Parity Obligations, issued pursuant to the foregoing clause (d), to finance the acquisition or construction of facilities, after provision for reserves, capitalized interest and expenses of issuance is made, shall be deposited in a construction fund established therefor under the Indenture or any supplement thereto.

Any such Additional Notes may bear interest at any rate lawful at the time of issuance thereof, may mature over any period of time as permitted by law from the date of issuance and have such other terms and provisions, all as may be agreed upon by the Corporation and the Authority.

Additional Notes shall be authorized by a supplement to the Mortgage and Parity Obligations shall be authorized by a supplement to the Mortgage and such Parity Instruments as may be entered into by the Corporation and the purchaser or purchasers thereof or a trustee acting for the benefit of such purchaser or purchasers. Upon the issuance and sale of any Additional Notes or Parity Obligations the same shall, together with any other Notes or Parity Obligation then outstanding, be equally and ratably secured by the lien of the Mortgage on the Mortgaged Property and any other property mortgaged or assigned as collateral for the Notes and Parity Obligations pursuant to a Parity Instrument; provided, however, that the holders of Parity Obligations shall have no claims to moneys on deposit in the Debt Service Reserve Fund and the other Funds established under the Indenture.

The rights and remedies of the holders of the Notes and Parity Obligations with respect to the Mortgaged Property shall be equal and pari passu and nothing contained in the Mortgage or in any supplement to the Mortgage or in any Parity Instrument shall be deemed to give to the holders of any Notes or Parity Obligations any rights or remedies superior or inferior to the rights and remedies of the holder or holders of any other Notes or Parity Obligations; provided, however, that in the event of any disagreement between the Trustee and the holder or holders of any Parity Obligations or any trustee acting for their benefit concerning the remedies to be pursued in the event of a default, the Trustee under the Indenture shall have the right to direct the remedies to be pursued. Any Parity Instrument shall expressly provide for events of default and remedies therefor identical to those provided for in the Mortgage. **This paragraph has been amended pursuant to the Third Supplemental Mortgage. See "THIRD SUPPLEMENTAL MORTGAGE" summarized herein.**

### **Insurance**

(a) The Corporation agrees that it will maintain, or cause to be maintained, insurance covering such risks and in such amounts as, in its judgment, is adequate to protect it and its Facility and operations and will review such coverage annually. The insurance required to be maintained pursuant hereto shall be subject to the review of an Independent Insurance Consultant, who shall make such review in light of existing claims of the Corporation and current conditions. The Corporation agrees that it will follow any

recommendations of the Independent Insurance Consultant and will notify the Trustee if such recommendations are not being followed. Such review shall occur on or before every second April 15 of each even numbered year. In order to establish compliance with the Mortgage, the Corporation agrees that it will deliver or cause to be delivered to the Trustee biennially, on or before April 15, a report of an Independent Insurance Consultant setting forth a description of the insurance maintained, or caused to be maintained, by the Corporation pursuant to the Mortgage and then in effect and stating whether, in the opinion of the Independent Insurance Consultant, such insurance and any reduction or elimination of the amount of any insurance coverage during the annual period covered by such report complies with the requirements of the Mortgage and adequately protects the Corporation and its Facility and operations. Such report shall also set forth any recommendations of the Independent Insurance Consultant as to additional insurance, if any, reasonably required (during the period preceding the next such annual report) for the protection referred to in the next preceding sentence in light of available insurance coverage practice.

(b) Before the Corporation may enter into a program of self insurance against any particular risk for which it is not self-insuring, it must receive a certificate from an Independent Insurance Consultant to the effect that (i) such self insurance program shall not disqualify the Corporation for reimbursement under Medicare or Medicaid programs or any governmental programs providing similar benefits and (ii) adequate reserves created by the Corporation for such self insurance program are deposited and maintained with an independent corporate trustee if recommended by the Independent Insurance Consultant, unless such deposits are not a necessary requirement for reimbursement under the governmental programs referred to in clause (i) above and regulations thereunder then in effect as shown in a report provided to the Trustee by the Independent Insurance Consultant. If the Corporation enters into a program of self insurance, the Corporation agrees (a) to provide the Trustee annually within 120 days of the end of each Fiscal Year a written evaluation with respect to such self insurance program by an Independent Insurance Consultant which evaluation shall contain or be accompanied by a recommendation of an independent actuary as to what funding levels will be adequate to protect the Corporation against such claims, (b) to maintain with an independent corporate trustee such reserves as are recommended by the Independent Insurance Consultant, (c) to provide the Trustee an Officer's Certificate showing compliance with clause (b) above, and (d) to maintain a risk management and claims management program pursuant to such self insurance program.

### **Rate Covenant**

The Corporation agrees to maintain Facility Revenues in amounts sufficient to maintain, for each Fiscal Year of the Corporation, Net Income Available for Debt Service in an amount which is not less than 120% of the Maximum Annual Debt Service Requirement on all Covered Debt then Outstanding. In the event the annual audited financial statements of the Corporation for any such Fiscal Year shall disclose that such ratio is not being maintained, the Corporation agrees, within 45 days following the issuance of such statements, to employ a Management Consultant with a view to obtaining a report of such Management Consultant containing recommendations as to changes in the operating policies of the Corporation designed to attain or

exceed such 120% ratio and to follow such recommendations to the extent deemed feasible by the Board of Directors of the Corporation. No default shall be deemed to occur under the Mortgage if such recommendations are followed, notwithstanding that such ratio is not subsequently reattained, but the Corporation shall continue to be obligated to employ a Management Consultant and obtain such a report in any year where such annual audited financial statements disclose that such ratio is not being maintained.

Notwithstanding the foregoing, in the event that a Management Consultant shall deliver a report to the Trustee to the effect that state or federal laws or regulations then in existence do not permit the Corporation to produce the required level of Net Income Available for Debt Service set forth above, then such level shall be reduced to the maximum amount then permitted by such laws or regulations, but in no event to less than 100%.

### **Damage or Destruction**

The Corporation agrees to notify the Trustee immediately in the case of damage exceeding the Threshold Amount in amount to, or destruction of, the Facility resulting from fire or other casualty. In the event any such damage does not exceed the Threshold Amount, the Corporation will forthwith repair, reconstruct and restore the Facility to substantially the same condition as it existed prior to the event causing such damage and will apply the Net Proceeds of any insurance relating to such damage received by the Corporation to the payment or reimbursement of the costs of such repair, reconstruction and restoration. The Net Proceeds of any insurance relating to such damage not exceeding the Threshold Amount shall be paid directly to the Corporation.

In the event the Facility or any portion thereof is destroyed or damaged by fire or other casualty and the damage or destruction is estimated to exceed the Threshold Amount, then the Corporation shall within 90 days after such damage or destruction elect one of the following two options by written notice of such election to the Trustee:

(a) *Option A - Repair and Restoration.* The Corporation may elect to repair, reconstruct and restore the Facility. In such event the Corporation shall proceed forthwith to repair, reconstruct and restore the Facility to substantially the same condition as it existed prior to the event causing such damage or destruction and will apply the Net Proceeds of any insurance relating to such damage or destruction received by the Corporation from the Trustee to the payment or reimbursement of the costs of such repair, reconstruction and restoration. So long as the Corporation is not in default under the Mortgage, any Net Proceeds of insurance relating to such damage or destruction received by the Trustee shall be released from time to time by the Trustee to the Corporation upon the receipt of the Written Request of the Corporation, specifying the expenditures made or to be made or the indebtedness incurred in connection with such repair, reconstruction and restoration and stating that such Net Proceeds, together with any other moneys legally available for such purposes, will be sufficient to complete such repair, reconstruction and restoration.

It is further understood and agreed that in the event the Corporation shall elect this Option A the Corporation shall complete the repair, reconstruction and restoration of the

Facility, whether or not the Net Proceeds of insurance received by the Corporation for such purposes are sufficient to pay for the same.

(b) *Option B - Prepayment of Notes and Parity Obligations.* The Corporation may elect to have the Net Proceeds payable as a result of such damage or destruction applied to the prepayment in full of the Notes and Parity Obligations; provided, however, that the Corporation may also elect to prepay less than all of such Notes and Parity Obligations but only if concurrently with such election the Corporation shall deliver to the Trustee a certificate of an Independent Architect to the effect that either: (i) the property damaged or destroyed is not essential to the Corporation's use or occupancy of the Facility, or (ii) the Facility has been restored to a condition substantially equivalent to its condition prior to such damage or destruction. In such event, the Corporation shall, in its notice of election to the Trustee, direct the Trustee to apply such Net Proceeds, when and as received, to the prepayment of Notes and Parity Obligations in the manner specified in the Mortgage.

### **Condemnation**

The Corporation, immediately upon obtaining knowledge of the institution of any proceedings for the condemnation or taking of the Facility or any portion thereof for public use, shall notify the Trustee of the pendency of such proceedings. The Trustee may participate in any such proceedings, and the Corporation from time to time will deliver or cause to be delivered to the Trustee all instruments requested by it to permit such participation. The Corporation hereby irrevocably assigns to the Trustee all right, title and interest of the Corporation in and to any Net Proceeds of any award, compensation or damages (hereinafter referred to as an "award"), payable in connection with any such condemnation or taking. Such Net Proceeds shall be initially paid to the Trustee for disbursement or use as hereinafter provided.

In the event of any such condemnation or taking the Corporation shall within 90 days after the termination date therefor elect one of the following two options by written notice of such election to the Trustee:

(a) *Option A - Repairs and Improvements.* The Corporation may elect to use the Net Proceeds of the award made in connection with such condemnation or taking for repairs and improvements to the Facility. In such event, so long as the Corporation is not in default under the Mortgage, the Corporation shall have the right to receive such Net Proceeds from the Trustee from time to time upon the receipt by the Trustee of the Written Request of the Corporation, specifying the expenditures made or to be made or the indebtedness incurred in connection with such repairs and improvements and stating that such Net Proceeds, together with any of the moneys legally available for such purposes, will be sufficient to complete such repairs and improvements.

The Corporation agrees to apply any such Net Proceeds so received solely to the purposes specified in such Written Request.

(b) *Option B - Prepayment of Notes and Parity Obligations.* The Corporation may elect to have the Net Proceeds payable as a result of condemnation applied to the

prepayment in full of the Notes and Parity Obligations; provided, however, that the Corporation may also elect to prepay less than all of the Notes and Parity Obligations but only if concurrently with such election the Corporation shall deliver to the Trustee a certificate of an Independent Architect to the effect that either: (i) the property condemned or taken is not essential to the Corporation's use or occupancy of the Facility, or (ii) the Facility has been restored to a condition substantially equivalent to its condition prior to such condemnation or taking. In such event the Corporation shall, in its notice of election to the Trustee, direct the Trustee to apply such Net Proceeds, when and as received, to the prepayment of Notes and Parity Obligations in the manner specified in the Mortgage.

**Maintenance of Corporate Existence; Bonds to Remain Tax-Exempt; Maintenance of Trust Estate**

Except for mergers or consolidations, the Corporation agrees to maintain at all times its existence as a nonprofit corporation and will do nothing to change, alter or destroy its status as an organization described in Section 501(c)(3) of the Code and exempt from federal income taxes under Section 501(a) of the Code. The Corporation further agrees that it will not act in any other manner which would adversely affect the exemption from federal income tax of the interest paid on the Notes or any tax-exempt Additional Bonds to the extent afforded under Section 103(a) of the Code.

The Corporation further agrees that it will not use the Facility, or permit the same to be used in such a way as to affect adversely the status of the Corporation as an organization described in said Section 501(c)(3) nor will it use any tax-exempt Bond proceeds or property constructed or acquired with tax-exempt Bond proceeds in any unrelated trade or business within the meaning of Section 513(a) of the Code; nor will it use or permit the Facility to be used by any non-exempt person in such manner as would result in the loss of tax exemption for interest on the Series 1998 Bonds, Series 2000 Bonds, the Series 2006 Bonds or any tax-exempt Additional Bonds otherwise afforded under Section 103(a) of the Code; nor will it act in any other manner which would adversely affect the tax free nature for federal income tax purposes of the interest on the Bonds or any tax-exempt Additional Bonds.

The Corporation further covenants that none of its revenues, income or profits, whether realized or unrealized, will be distributed to any of its officers or members, or inure to the benefit of any private person, association or corporation, other than for the lawful corporate purposes of the Corporation; provided, however, that the Corporation may pay to any person, association or corporation the value of any service or product performed for or supplied to the Corporation by such person, association or corporation.

The Corporation also covenants to cause any order, writ or warrant of attachment, garnishment, execution, replevin or similar process filed against any part of the funds or accounts held by the Trustee under the Indenture to be discharged, vacated, bonded or stayed within 90 days after such filing (which 90-day period shall be extended for so long as the Corporation is contesting such process in good faith), but, notwithstanding the foregoing, in any event not later than five days prior to any proposed execution or enforcement with respect to such filing or any transfer of moneys or investments pursuant to such filing.

### **Transfer, Merger or Consolidation**

The Corporation is and will remain duly qualified to do business as a nonprofit corporation in Indiana and will maintain its corporate existence and will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into any other corporation unless at the time of such merger or consolidation or transfer of assets and after giving effect thereto: (a) the Corporation or the other corporation surviving such merger or consolidation or to whom such assets are conveyed (the "Surviving Corporation") shall be an organization described in Section 501(c)(3) of the Code and exempt from federal income taxation under Section 501 (a) of the Code (or any successor sections of a subsequent federal income tax statute or code); (b) either the Corporation shall be the successor of such merger or consolidation or the Surviving Corporation shall expressly assume in writing the due and punctual payment of the principal of, premium, if any, and interest on all Notes and Parity Obligations then Outstanding according to their tenor, and the due and punctual performance and observance of all of the covenants and conditions of the Mortgage; (c) no Event of Default, as defined in the Mortgage, shall have occurred and be continuing and no event shall have occurred and be continuing which, with the lapse of time or giving of notice, or both, would constitute such an Event of Default; (d) the net worth of the Corporation or the Surviving Corporation following such merger or consolidation or transfer of assets shall not be less than the net worth of the Corporation immediately prior thereto; (e) the Corporation or the Surviving Corporation would be able to issue \$1.00 of additional Long-Term Debt under the provisions of paragraph (c) of the section entitled "Permitted Indebtedness" (f) such merger or consolidation or transfer of assets will not adversely affect the exemption from federal income taxes of the interest on any tax-exempt Bonds; and (g) no litigation shall be pending against the party to such merger or consolidation other than the Corporation in which the expected loss amount (as estimated by counsel acceptable to Corporation) which is not fully covered by insurance or cash reserves established pursuant to a permitted self-insurance program exceeds an amount equal to the greater of (i) \$500,000 or (ii) 2% of the assets of the Surviving Corporation in any one suit or in the aggregate of all suits.

### **Transfer of Assets**

Except for the transfer of assets permitted as described in the Mortgage and permitted releases of Mortgaged Property hereinafter described under the caption "Conditions for Release of Mortgaged Property", the Corporation agrees that it will not sell, lease or otherwise dispose of any of its cash, securities or other cash equivalents, or Operating Assets (other than in the ordinary course of business or as hereinafter permitted) unless the Corporation shall certify to the Trustee, which certification shall be accompanied by evidence satisfactory to the Trustee in its reasonable judgment, in an Officer's Certificate that:

(a) with respect to the sale, lease or disposition of Operating Assets, in the judgment of the Corporation such Operating Assets have, or within the next succeeding 24 calendar months are reasonably expected to, become inadequate, obsolete, worn out, unsuitable, unprofitable, undesirable or unnecessary, provided the sale, lease, removal or other disposition thereof will not impair the structural soundness, efficiency or economic value of the remaining Operating Assets; or



(b) either (but in either case only if the sale, lease or disposition will not impair the structural soundness, efficiency or economic value of the remaining Operating Assets) (A) the leasing of all or any part of its Operating Assets is pursuant to the reasonable requirements of the Corporation and upon terms no less favorable to the Corporation than are obtainable in a comparable arms-length transaction or (B) the sale or disposition of all or any part of its Operating Assets is pursuant to the reasonable requirements of the Corporation and for consideration, which shall take the form of cash, securities or real or personal property, having a fair market value at least equal to the fair market value of such Operating Assets sold or disposed of.

Notwithstanding the foregoing, the Corporation may transfer assets in any Fiscal Year to any Person in an amount not exceeding 1 % of Facility Revenues, as shown by the most recently available audited financial statements of the Corporation, so long as following such transfer the Corporation will have cash, securities or other cash equivalents with a fair market value of not less than \$1,000,000 (excluding funds held under the Indenture).

### **Financial Statements, Etc.**

The Corporation covenants that it will keep proper books of record and account in which full, true and correct entries will be made of all dealings or transactions of or in relation to the business and affairs of the Corporation, in accordance with generally accepted principles of accounting consistently applied, and that it will furnish to the Trustee at such times and in such quantities as will enable the Trustee to retain for itself and to deliver to the Authority, to the Original Purchasers and to any holder or holders of \$500,000 or more in aggregate principal amount of Bonds then outstanding (or to their accountants or agents) who shall request the same in writing:

(a) within 45 days after the last day of each of the quarterly fiscal periods for each Fiscal Year of the Corporation, the unaudited financial statements of the Corporation for such period, including a balance sheet as at the end of such period, certified by the chief financial officer of the Corporation or by the chief financial officer or comptroller of the Manager;

(b) within 120 days after the last day of each Fiscal Year of the Corporation, an annual financial report containing the Corporation's audited financial statements reported on by a firm of independent certified public accountants who are members in good standing of the Securities and Exchange Commission Practice Section of the American Institute of Certified Public Accountants selected by the Corporation for such Fiscal Year and containing those financial statements customarily prescribed for continuing care facilities, including a balance sheet as at the end of such Fiscal Year, in each case in comparative form with the respective financial statements for the preceding Fiscal Year, together with a separate written statement of the accountants certifying such report that such accountants have obtained no knowledge of any default by the Corporation in the fulfillment of any of the terms, covenants, provisions or conditions of the Mortgage, or, if such accountants shall have obtained knowledge of any such default or defaults and the nature thereof, they shall disclose the same; and

(c) within 120 days after the last day of each Fiscal Year of the Corporation a certificate of the President or other authorized officer of the Corporation, stating that the signer of the certificate has made a review of the activities of the Corporation during the preceding Fiscal Year for the purpose of determining whether or not the Corporation has complied with all of the terms, provisions and conditions of the Mortgage, and that to the best knowledge of such signer the Corporation has kept, observed, performed and fulfilled each and every covenant, provision and condition of the Mortgage on its part to be performed and is not in default in the performance or observance of any of the terms, covenants, provisions or conditions of the Mortgage, or if the Corporation shall be in default, such certificate shall specify all such defaults and the nature thereof of which the signer of the certificate shall have knowledge.

In addition, the Corporation shall furnish such additional information as the Authority, the Trustee, the Original Purchasers or the holder or holders of \$500,000 or more in aggregate principal amount of Bonds then outstanding may reasonably request concerning the Corporation in order to enable the Authority, the Original Purchasers, the Trustee or such holder or holders to determine whether the covenants, terms and provisions of the Mortgage have been complied with by the Corporation. The Corporation further agrees that it will comply with and take all actions required by the Continuing Disclosure Undertaking Agreement.

#### **Subordination of Management Fees**

The Corporation agrees that any contract for the management of the Facility between it and a Manager will provide for Subordinated Management Fees.

#### **Defaults and Remedies**

Events of Default by the Corporation under the Mortgage include the following:

(a) failure of the Corporation to pay any installment of interest or principal, or any premium, on any Notes, any Parity Obligation or any other payment required by the Mortgage when the same shall become due and payable, whether upon a scheduled interest payment date, at maturity, upon any date fixed for prepayment or by acceleration or otherwise; or

(b) failure of the Corporation to comply with or perform its covenant under the Mortgage to cause within five days the discharge, vacation, bonding or stay of any order, writ or warrant of attachment, garnishment, execution, replevin or similar process filed against any part of the funds or accounts held by the Trustee under the Indenture; or

(c) failure of the Corporation to perform any other covenant, condition or provision of the Mortgage and to remedy such default within 30 days after written notice thereof from the Trustee to the Corporation unless the nature of the default is such that it cannot be remedied within the 30-day period and the Trustee agrees in writing to an extension of time (which agreement shall not be unreasonably withheld) and the Corporation institutes corrective action within the period agreed upon and diligently pursues such action until the default is remedied; or

(d) default in any payment of principal of or premium, if any, on, or interest on any other obligation of the Corporation for borrowed money in an amount in excess of \$100,000 continuing beyond the expiration of the applicable grace period, if any, provided for therein or in the performance of any other agreement, term or condition contained in any agreement under which such obligation is created, which shall result in the declaring due and payable of such obligation prior to the date on which it would otherwise have become due and payable; provided, however, that if such default shall be remedied or cured by the Corporation or be waived by the holders of such obligation, and any such declaration be rescinded or annulled, then the event of default under the Mortgage by reason thereof shall be deemed to have been thereupon cured; or

(e) if any representation or warranty made by the Corporation in any statement or certificate furnished in connection with the sale of the Bonds or furnished by the Corporation pursuant hereto proves untrue in any material respect as of the date of the issuance or making thereof and shall not be made good within 30 days after written notice thereof to the Corporation by the Trustee; or

(f) any judgment, writ or warrant of attachment or of any similar process in an amount in excess of \$100,000 shall be entered or filed against the Corporation or against any of its property and remains unvacated, unpaid, unbonded, unstayed, or uncontested in good faith for a period of 30 days; or

(g) if the Corporation admits insolvency or bankruptcy or its inability to pay its debts as they mature, or makes an assignment for the benefit of creditors or applies for or consents to the appointment of a trustee or receiver for the Corporation, or for the major part of its property; or

(h) if a trustee or receiver is appointed for the Corporation or for the major part of its property and is not discharged within 30 days after such appointment; or

(i) if bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings for relief under any bankruptcy law or similar law for the relief of debtors are instituted by or against the Corporation and if instituted against the Corporation are allowed against the Corporation or are consented to or are not dismissed, stayed or otherwise nullified within 30 days after such institution; or

(j) failure of the Corporation to comply with any of the terms of the Tax Representation Certificate, and such failure shall continue for 30 days after notice of such default shall have been given to the Corporation by the Trustee; or

(k) an Event of Default set forth in a Parity Instrument or a Parity Obligation.

Whenever any event of default shall have occurred and be continuing, the Authority (i) shall, upon the occurrence of an event of default specified in paragraphs (g), (h) or (i) above, and may, upon the occurrence of any other event of default described above, declare the principal of the Notes and Parity Obligations to be due and payable immediately, (ii) may take possession of the Mortgaged Property and use, operate, manage and control the Mortgaged

Property for any lawful purpose, and (iii) may pursue any available remedy to collect the payments then due and thereafter to become due on the Notes or to enforce performance and observance of any obligation, agreement or covenant of the Corporation under the Mortgage.

### **Foreclosure and Sale of Mortgaged Property; Application of Proceeds of Sale**

In the event of any sale made under or by virtue of judicial proceedings or decree of foreclosure and sale, or as permitted by law, the whole of the Mortgaged Property may be sold in one parcel and as an entirety, or in separate parcels or lots, as the Authority may determine.

### **Application of Proceeds of Sale**

The purchase money, proceeds or avails of any such sale, together with any other sums which then may be held by the Authority under the Mortgage as part of the Mortgaged Property or the proceeds thereof, whether under the provisions of the Mortgage or otherwise, shall be applied as follows:

FIRST: To the payment of amounts, if any, payable to the United States Treasury pursuant to the Indenture.

SECOND: To the payment of the costs and expenses of such sale, including reasonable compensation to the Authority and the Trustee, their agents, attorneys and counsel, and the expenses of any judicial proceedings wherein the same may be made, and of all expenses, liabilities and advances made or incurred by the Authority or the Trustee as permitted by the Mortgage, together with interest at the Prime Rate on all advances made by the Authority or the Trustee, and to the payment of all taxes, assessments or liens prior to the lien of the Mortgage, except any taxes, assessments, liens, or other charges, subject to which the property shall have been sold.

THIRD: To the payment of the whole amount then due, owing and unpaid upon the Notes and Parity Obligations for principal, interest and premium, if any; and in case such proceeds shall be insufficient to pay in full the whole amount so due, owing or unpaid upon the Notes and Parity Obligations, then ratably according to the aggregate of such principal and the accrued and unpaid interest and premium, if any, without preference or priority as between principal, interest or premium; such application to be made upon presentation of the Notes and Parity Obligations and the notation thereon of the payment, if partially paid, or the surrender and cancellation thereof, if fully paid.

FOURTH: To the payment of any other sums required to be paid by the Corporation pursuant to any provisions of the Mortgage, the Notes or Parity Instruments.

FIFTH: To the payment of the surplus, if any, to the Corporation, its successors or assigns, upon the Written Request of the Corporation or to

whomsoever may be lawfully entitled to receive the same upon its written request, or as any court of competent jurisdiction may direct.

### **Conditions for Release of Mortgaged Property**

So long as no Event of Default (as defined in the Mortgage) shall have occurred and be continuing under the Mortgage or under the Indenture, the Authority and the Trustee shall release, without the prior consent of any of the Bondholders, any portion of the Facility or other property subject to the lien or security interest of the Mortgage upon receipt by the Trustee of the following:

A. *Written Request of Corporation.* A Written Request of the Corporation for such release, describing the property to be released (the "Released Property");

B. *Certificate of Corporation.* A certificate of the Corporation to the Trustee and the Authority certifying:

1. The fair market value of the Released Property and of the property (the "Substituted Property") other than cash to be substituted for the Released Property pursuant to the terms of the Mortgage;

2. The disposition to be made of the Released Property and the consideration (which may include cash) to be received for the Released Property and the fair market value of the consideration other than money;

3. That the disposition of the Released Property and the substitution therefor of the Substituted Property will not materially adversely affect the operations of the remaining portion of the Facility or any other properties of the Corporation or the ability of the Corporation to satisfy its obligations under the Notes and Parity Obligations and the Mortgage and will not materially reduce or adversely affect the Net Income Available for Debt Service;

4. That the Substituted Property other than cash is necessary or useful to the operation of the Facility;

5. That the cash or the fair market value of the Substituted Property together with cash, if any, to be received is at least equal to the fair market value of the Released Property;

6. That the execution and delivery of the release by the Authority and the Trustee the subjection of the Substituted Property to the lien of the Mortgage will not result in a default under the Mortgage or under the Indenture; and

7. That all permits and authorizations of all federal, state and local governmental bodies and agencies for such release and substitution have been granted or that no such permits or authorizations are required;

C. *Appraisal of Released Property.* An appraisal of the fair market value of the Released Property by a member of the American Institute of Real Estate Appraisers (an "MAI Appraiser") if the Released Property is real property, or by another expert acceptable to the Authority and to the Trustee if the Released Property is not real property;

D. *Appraisal of Substituted Property.* An appraisal of the fair market value of the Substituted Property by an MAI Appraiser if the Substituted Property is real property, or by another expert acceptable to the Authority and the Trustee if the Substituted Property is not real property;

E. *Documents of Conveyance.* A supplement to the Mortgage and to the Indenture (if necessary) and other documents reasonably requested by, and in form satisfactory to, the Authority and the Trustee necessary to subject the Substituted Property to the lien of the Mortgage and, if the Substituted Property is real property, an endorsement to the existing ALTA mortgagee's title insurance policy or an additional mortgagee's title insurance policy, evidencing that the Substituted Property is subject to the lien of the Mortgage, subject only to Permitted Encumbrances;

F. *Certificate of a Consultant.* If the fair market value of the Released Property when added to the fair market value of other property released pursuant to the provisions of this paragraph within the same twelve-month period is in excess of 5% of the net book value of the Corporation's assets, a certificate of a consultant acceptable to the Authority to the effect set forth in subparagraph (B)(3) above; and

G. *Opinion of Counsel.* A letter of opinion addressed to the Authority and the Trustee from Independent Counsel who is satisfactory to the Authority and the Trustee to the effect that:

1. The release of the property requested by the Corporation is authorized under the Mortgage;

2. The Substituted Property is subject to the lien of the Mortgage, subject only to Permitted Encumbrances;

3. The execution and delivery of the requested release and the acceptance of the Substituted Property will not violate any provisions of the Mortgage or of the Indenture; all necessary action required to be taken by the Corporation and by the Authority to effect the release of the Released Property and the conveyance of the Substituted Property has been taken;

4. The supplemental amendment to the Mortgage, the supplemental indenture, and all other documents required to effect the release of the Released Property and substitution therefor of the Substituted Property have been duly authorized, executed and delivered and are binding upon the parties executing and delivering the same in accordance with their respective terms; and

5. To the knowledge of such Independent Counsel, all permits and authorizations of all federal, state and local governmental bodies and agencies have been granted, or that no such permits or authorizations are required.

### **Disposition of Substituted Property**

The Corporation agrees that (i) the Trustee shall invest any cash delivered to it as Substituted Property in Qualified Investments pursuant to a Written Request of the Corporation, and any such cash and Qualified Investments shall be held by the Trustee in a separate trust account for the benefit and security of the outstanding Bonds and Parity Obligations; (ii) all income from Qualified Investments in such account shall be retained therein; (iii) funds from time to time on deposit with the Trustee in such account shall be used to make up any deficiencies in the Interest Fund, and to the extent funds are used to make up such deficiencies, the Corporation will make payment directly to the Trustee for deposit in such trust account in the amount of any such deficiencies forthwith; (iv) upon compliance with the terms and provisions described above under the caption "Conditions for Release of Mortgaged Property" within three years of the date of initial deposit in such trust account of moneys constituting Substituted Property, such moneys may be released in return for other Substituted Property; and (v) at the end of such three-year period or upon a Written Request of the Authority of the Corporation and provided that no default shall have occurred and be continuing under the Mortgage or the Indenture, any funds held by the Trustee in such account shall be transferred by the Trustee to the Optional Redemption Fund to redeem Bonds. Notwithstanding anything in the Mortgage to the contrary, any moneys on deposit with the Trustee shall be invested in accordance with, and subject to the terms of, the Tax Representation Certificate to the extent applicable.

### **THIRD SUPPLEMENTAL MORTGAGE**

The provisions of the Third Supplemental Mortgage shall be effective upon the consent of not less than 51% in aggregate principal amount of the Outstanding Bonds. Upon the issuance of the 2006A Note, the Corporation will have the required consents and the provisions of the Third Supplemental Mortgage shall be in full force and effect. At such time, all of the terms and conditions of the Third Supplemental Mortgage shall be and be deemed to be part of the terms and conditions of the Mortgage.

*The last paragraph under the caption "THE MORTGAGE – Permitted Indebtedness" is amended to replace such final paragraph thereof with the following paragraph:*

Anything herein to the contrary notwithstanding, any portion of any indebtedness of the Corporation for which an Interest Rate Agreement has been obtained by the Corporation shall be deemed to bear interest at a net rate which takes into account the interest payments made by the Corporation on such indebtedness and the payments made or received by the Corporation on such Interest Rate Agreement; provided that the long-term rating of the provider of such Interest Rate Agreement (or any guarantor thereof) is in one of the three highest rating categories of each rating agency then rating the associated indebtedness (without regard to any refinements of gradation of rating category by numerical modifier or otherwise). In addition, so long as any indebtedness is

deemed to bear interest at a rate taking into account an Interest Rate Agreement, any payments made by the Corporation on such Interest Rate Agreement shall be excluded from expenses and any payments received by the Corporation on such Interest Rate Agreement shall be excluded from revenues, in each case, for all purposes of this Mortgage. No additional indebtedness shall be deemed to arise when an Interest Rate Agreement is entered into or terminated with respect to any indebtedness.

*The last paragraph under the caption "THE MORTGAGE – Issuance of Additional Notes and Parity Obligations" is amended to replace such final paragraph thereof with the following paragraph:*

The rights and remedies of the holders of the Notes and Parity Obligations with respect to the Mortgaged Property shall be equal and pari passu and nothing contained in the Mortgage or in any supplement to the Mortgage or in any Parity Instrument shall be deemed to give to the holders of any Notes or Parity Obligations any rights or remedies superior or inferior to the rights and remedies of the holder or holders of any other Notes or Parity Obligations. With respect to the exercise of remedies upon default under the Mortgage, if the holder or holders of any Parity Obligations appoint the Trustee to act on their behalf with respect to its rights and remedies as holders of a Parity Obligation, then the Trustee shall have the right to enforce the performance of the obligations of the Corporation under the Mortgage with respect to such Parity Obligations and the Parity Instruments. In such event, the Trustee, in enforcing the rights of the holders of the Bonds and such Parity Obligations, shall enforce the performance of the obligations of the Corporation as directed by the holders of not less than 51% in aggregate principal amount of outstanding Bonds and such Parity Obligations.

## **SUPPLEMENTAL AGREEMENT**

### **Issuance of the Parity Obligation**

Concurrently with the execution and delivery of the Supplemental Agreement, the Initial Credit Facility Issuer is issuing the Initial Credit Facility to the Trustee for the benefit of the holders of the Series 2006A Bonds. In addition, the Corporation and the Initial Credit Facility Issuer are entering into the Reimbursement Agreement, pursuant to which the Corporation has agreed to pay or cause the Trustee to pay the Bank Obligations to the Initial Credit Facility Issuer, including but not limited to amounts required to reimburse the Initial Credit Facility Issuer for draws under the Initial Credit Facility and related fees and expenses. In order to secure the Bank Obligations of the Corporation to the Initial Credit Facility Issuer, the Corporation will issue its Bank Note, which will constitute a Parity Obligation under the Mortgage pursuant to the Supplemental Agreement. As a Parity Obligation, the Bank Note is secured under the Mortgage on a parity with the Notes and any other Parity Obligations by a lien and security interest in the Mortgaged Property. The Authority and the Initial Credit Facility Issuer agree that the Trustee shall enforce the rights, remedies and privileges granted to the Authority and the Initial Credit Facility Issuer under the Mortgage and the Additional Collateral Documents.



## **Events of Default**

The occurrence and continuance of any of the events of default described in the Mortgage shall constitute an Event of Default under the Supplemental Agreement. During the occurrence and continuance of an Event of Default thereunder, the Trustee on behalf of the Authority and the holders of the Notes and the Bank Note (including but not limited to the Initial Credit Facility Issuer) shall act in accordance with the Mortgage and the Indenture to pursue the rights and remedies of the holders of the Notes and the Bank Note. It is the intent of the Mortgage that the rights and remedies of the holders of the Notes and Parity Obligations be equal and pari passu and nothing contained in the Mortgage or any supplement thereof or in any Parity Instrument shall be deemed to give the holders of any Notes or Parity Obligations any rights or remedies superior or inferior to the rights and remedies of the holders of any other Notes or Parity Obligations. The Initial Credit Facility has appointed the Trustee to act on its behalf with respect to its rights and remedies described below.

## **Remedies on Default**

If any Event of Default shall occur and be continuing, the Initial Credit Facility Issuer may at its option exercise any one or more of the following remedies:

*Acceleration of Maturity; Waiver of Event of Default and Rescission of Acceleration.* The Initial Credit Facility Issuer shall, upon the occurrence of an Event of Default specified in the Mortgage, and may, upon the occurrence of any other Event of Default described in the Mortgage, by written notice to the Corporation, declare the principal of the Notes (if not then due and payable) and Parity Obligations (if acceleration of the principal of the Parity Obligations is also deemed appropriate and if such principal is not then due and payable) to be due and payable immediately, and upon any such declaration the principal of the Notes and, if such declaration relates to Parity Obligations, the Parity Obligations shall become and be immediately due and payable, anything in the Notes, the Parity Obligations or in the Mortgage contained to the contrary notwithstanding. This provision, however, is subject to the condition that if, at any time after the principal of the Notes and any accelerated Parity Obligations shall have been so declared and become due and payable and prior to the date of any sale of any part of the Mortgaged Property pursuant to the Supplemental Agreement, all arrears of interest, if any, upon the Notes and such Parity Obligations and the expenses of the Initial Credit Facility Issuer shall be paid by the Corporation, and every other default in the observance or performance of any covenant, condition or agreement in the Notes, the Parity Obligations or in the Mortgage contained shall be made good, or be secured, to the satisfaction of the Initial Credit Facility Issuer, or provision deemed by the Initial Credit Facility Issuer to be adequate shall be made therefor, then and in every such case the Initial Credit Facility Issuer by written notice to the Corporation may waive the event of default by reason of which the principal of the Notes and any accelerated Parity Obligations shall have been so declared and become due and payable, and may rescind and annul such declaration and its consequences; provided, however, that there shall not be waived, without the consent of the holders of all of the Bonds then outstanding, (i) any default in the payment of the principal on the Notes when due whether by mandatory or optional redemption or at the date of maturity specified therein or (ii) any default in the payment when due of the interest on such Notes; provided, however, that there shall not be waived, without the consent of the holders of a Parity Obligation (i) any default in the payment of the principal on

such Parity Obligations when due whether by mandatory or optional redemption or at the date of maturity specified therein or (ii) any default in the payment when due of the interest or other amounts owed under the Parity Obligations; and provided, further, that no such waiver, rescission or annulment shall extend to or affect any subsequent event of default or impair any right consequent thereon.

*Initial Credit Facility Issuer May Enter and Take Possession, Operate and Apply Income.* Subject to the permission of a court of competent jurisdiction, if then required by law, the Initial Credit Facility Issuer personally or by its agents or attorneys, may enter into and upon all or any part of the Mortgaged Property and each and every part thereof, and may exclude the Corporation, its agents and servants wholly therefrom, and having and holding the same, may use, operate, manage and control the Mortgaged Property for any lawful purpose and upon every such entry, the Initial Credit Facility Issuer at the expense of the Corporation from time to time, either by purchase, repairs or construction, may maintain and restore the Mortgaged Property whereof it shall become possessed as aforesaid, and may insure and reinsure the same as may seem to it to be judicious, and likewise, from time to time at the expense of the Corporation, the Initial Credit Facility Issuer may make all necessary or proper repairs, renewals and replacements, and alterations, additions, betterments and improvements thereto and thereon as to it may seem judicious. The Initial Credit Facility Issuer shall be entitled to collect and receive all earnings, revenues, rents, issues, profits and income of the same and every part thereof; and after deducting the expenses of operations, maintenance, repairs, renewals, replacements, alterations, additions, betterments and improvements and all payments which may be made for taxes, assessments, insurance and prior or other proper charges upon the Mortgaged Property or any part thereof, as well as all advances by the Initial Credit Facility Issuer and reasonable compensation for the services of the Initial Credit Facility Issuer and for all counsel and agents and clerks and other employees by it properly engaged and employed, the Initial Credit Facility Issuer shall apply the moneys arising as aforesaid as follows:

(1) in case the principal of the Notes and the Parity Obligations shall have become due by declaration or otherwise, in the order or priorities and amounts set forth in of the Mortgage and the Supplemental Agreement; or

(2) in case the principal of the Notes and the Parity Obligations shall not have become due, first, to the payment of the installments of principal and interest thereon, when and as the same shall become payable, and second, to the payment of any other sums required to be paid by the Corporation under the Mortgage and the Parity Instruments; or

(3) in case the principal of the Notes and the Parity Obligations shall not have become due and there exists no default in the payment of any installment of interest or principal on the Notes and the Parity Obligations, then to the remedying of any other event of default then existing.

*Right to Bring Suit, Etc.* The Initial Credit Facility Issuer, with or without entry, personally or by attorney, may in its discretion proceed to protect and enforce its rights by pursuing any available remedy, including a suit or suits in equity or at law, whether for damages or for the specific performance of any obligation, covenant or agreement contained in the Notes

or in the Mortgage, or in aid of the execution of any power herein granted, or for any foreclosure under the Supplemental Agreement, or for the enforcement of any other appropriate legal or equitable remedy, as the Initial Credit Facility Issuer shall deem most effectual to collect the payments then due and thereafter to become due on the Bank Notes, to enforce performance and observance of any obligation, agreement or covenant of the Corporation under the Supplemental Agreement or to protect and enforce any of the Initial Credit Facility Issuer's rights or duties under the Supplemental Agreement.

### **Foreclosure and Sale of Mortgaged Property**

In the event of any sale made under or by virtue of judicial proceedings or decree of foreclosure and sale, or as permitted by law, the whole of the Mortgaged Property may be sold in one parcel and as an entirety, or in separate parcels or lots, as the Initial Credit Facility Issuer may determine.

### **Sale a Bar**

Any sale or sales pursuant to the Supplemental Agreement shall operate to divest all estate, right, title, interest, claim or demand whatsoever, whether at law or in equity, of the Corporation, in and to the premises, property, privileges and rights so sold, and shall be a perpetual bar both at law and in equity against the Corporation, its successors and assigns, and against any and all persons claiming or who may claim the same, or any part thereof, from, through or under the Corporation, its successors or assigns.

### **Receipt Sufficient Discharge for Purchaser**

The receipt of the Initial Credit Facility Issuer or of the court officer conducting any such sale for the purchase money paid at any such sale shall be a sufficient discharge therefor to any purchaser of the property, or any part thereof, sold as aforesaid; and no such purchaser or his representatives, grantees or assigns, after paying such purchase money and receiving such a receipt, shall be bound to see to the application of such purchase money upon or for purpose of the Mortgage, or shall be answerable in any manner whatsoever for any loss, misapplication or non-application of any such purchase money or any part thereof, nor shall any such purchaser be bound to inquire as to the necessity or expediency of any such sale.

### **Sale to Accelerate Notes and Parity Obligations**

In the event of any sale pursuant to "Foreclosure and Sale of Mortgaged Property" described above the principal of the Notes and the Parity Obligations, if not previously due, immediately thereupon shall become due and payable, anything in the Notes, the Mortgage, the Parity Obligations or the Parity Instruments to the contrary notwithstanding.

### **Application of Proceeds of Sale**

The purchase money, proceeds or avails of any such sale, together with any other sums which then may be held by the Initial Credit Facility Issuer under the Mortgage as part of the Mortgaged Property or the proceeds thereof, whether under the provisions of this Article or otherwise, shall be applied as follows:

FIRST: To the payment of amounts, if any, payable to the United States Treasury pursuant to the Indenture.

SECOND: To the payment of the costs and expenses of such sale, including reasonable compensation to the Authority, Initial Credit Facility Issuer and the Trustee, their agents, attorneys and counsel, and the expenses of any judicial proceedings wherein the same may be made, and of all expenses, liabilities and advances made or incurred by the Authority, Initial Credit Facility Issuer or the Trustee as permitted by the Mortgage, together with interest at the Prime Rate on all advances made by the Authority, Initial Credit Facility Issuer or the Trustee, and to the payment of all taxes, assessments or liens prior to the lien of the Mortgage, except any taxes, assessments, liens, or other charges, subject to which the property shall have been sold.

THIRD: To the payment of the whole amount then due, owing and unpaid upon the Notes and Parity Obligations for principal, interest and premium, if any; and in case such proceeds shall be insufficient to pay in full the whole amount so due, owing or unpaid upon the Notes and Parity Obligations, then ratably according to the aggregate of such principal and the accrued and unpaid interest and premium, if any, without preference or priority as between principal, interest or premium; such application to be made upon presentation of the Notes and Parity Obligations and the notation thereon of the payment, if partially paid, or the surrender and cancellation thereof, if fully paid.

FOURTH: To the payment of any other sums required to be paid by the Corporation pursuant to any provisions of the Mortgage, the Notes or Parity Instruments.

FIFTH: To the payment of the surplus, if any, to the Corporation, its successors or assigns, upon the Written Request of the Corporation or to whomsoever may be lawfully entitled to receive the same upon its written request, or as any court of competent jurisdiction may direct.

### **Purchase of Mortgaged Property**

Upon any sale pursuant to the Supplemental Agreement of all or of any portion of the Mortgaged Property pursuant to judicial proceedings, the Initial Credit Facility Issuer may bid for and purchase the property being sold, and upon compliance with the terms of sale, the Initial Credit Facility Issuer may hold, retain and possess and dispose of such property in its own absolute right without further accountability; and the Initial Credit Facility Issuer at any such sale may, in paying the purchase price, turn in the Bank Notes at par in lieu of cash to the amount which shall be payable thereon. In case the amounts so payable on the Bank Notes shall be less than the amount due thereon, the Bank Notes shall be returned to the Initial Credit Facility Issuer after a notation of such partial payment shall have been made thereon.

### **Initial Credit Facility Issuer May Enforce Demand**

In case the Corporation shall have failed to pay such principal and interest and other amounts upon demand, the Initial Credit Facility Issuer, in its own name, shall be entitled and empowered to institute such actions or proceedings at law or in equity for the collection of the amounts so due and unpaid, and may prosecute any such action or proceedings to judgment or final decree, and may enforce any such judgment or final decree against the Corporation and collect the moneys adjudged or decreed to be payable out of the property of the Corporation wherever situated, in the manner provided by law.

The Initial Credit Facility Issuer shall, if permitted by law, be entitled to recover judgment as aforesaid either before or after or during the pendency of any proceedings for the enforcement of the lien of the Mortgage; and the right of the Initial Credit Facility Issuer to recover such judgment shall not be affected by any entry or sale under the Supplemental Agreement or by the exercise of any other right, power or remedy for the enforcement of the provisions of the Mortgage or the foreclosure of the lien of the Supplemental Agreement; and in case of a sale of the Mortgaged Property and of the application of the proceeds of sale, provided, to the payment of the debt hereby secured, the Initial Credit Facility Issuer shall be entitled to enforce payment of and to receive all amounts then remaining due and unpaid upon the Bank Notes then outstanding, and shall be entitled to recover judgment for any portion of the debt remaining unpaid, with interest.

No recovery of any judgment by the Initial Credit Facility Issuer and no levy of an execution under any judgment upon the Mortgaged Property or upon any other property, shall affect the lien of the Mortgage upon the Mortgaged Property or any part thereof, or any lien, rights, powers or remedies of the Initial Credit Facility Issuer under the Supplemental Agreement, but such lien, rights, powers or remedies of the Initial Credit Facility Issuer shall continue unimpaired as before.

Any moneys thus collected by the Initial Credit Facility Issuer shall be applied by the Initial Credit Facility Issuer as follows:

FIRST: To the payment of amounts, if any, payable to the United States Treasury pursuant to the Indenture.

SECOND: To the payment of all advances by the Initial Credit Facility Issuer with interest at the Trustee's announced prime rate per annum, and all expenses and disbursements.

THIRD: To the payment of the whole amount then due, owing and unpaid upon the Notes and Parity Obligations for principal, interest and premium, if any; and in case such proceeds shall be insufficient to pay in full the whole amount so due, owing or unpaid upon the Notes and Parity Obligations, then ratably according to the aggregate of such principal and the accrued and unpaid interest and premium, if any, without preference or priority as between principal, interest or premium; such application to be made upon presentation of the Notes and

Parity Obligations and the notation thereon of the payment, if partially paid, or the surrender and cancellation thereof, if fully paid.

### **THE ORIGINAL INDENTURE**

The following is a summary of certain provisions of the Original Indenture as supplemented by the First Supplemental Indenture, to which reference is hereby made for a more complete description of its terms.

#### **Bonds are Limited Obligations**

The Bonds and the interest thereon are limited obligations of the Authority and are payable solely from the revenues and other amounts derived from the Notes and the Mortgage or proceeds derived from the sale or lease of the Mortgaged Property upon the foreclosure of the lien granted pursuant to the Mortgage and as otherwise provided in the Indenture and the Mortgage.

#### **Bonds not a Liability of the State or any Political Subdivision Thereof**

The Bonds do not constitute a debt, liability or obligation of the State of Indiana or any political subdivision thereof, and neither the State of Indiana nor any political subdivision thereof shall be liable thereon nor in any event shall the Bonds and the interest thereon be payable out of any funds or property other than those of the Authority assigned under the Indenture as security therefor. The Bonds do not, directly or indirectly, obligate or the State of Indiana or any political subdivision thereof to levy any form of taxation therefor, or to make any appropriations for their payment and such Bonds and the interest thereon do not now, and shall never, constitute a charge against the general credit or taxing powers of the State of Indiana or any political subdivision thereof. The Authority has no taxing powers.

#### **Issuance of Additional Bonds**

The Authority may authorize the issuance of Additional Bonds for one or more of the following purposes: (i) refunding and prepaying any series of outstanding Bonds; (ii) advance refunding of any series of outstanding Bonds by depositing with the Trustee, in trust for the sole benefit of such series of Bonds, cash and/or legally permissible Escrowed Securities which are not redeemable prior to maturity without the consent of the holder thereof in a principal amount which, as verified by a firm of nationally recognized independent certified public accountants, will, together with the income or increment to accrue thereon, be sufficient to pay or redeem (when redeemable) and discharge the indebtedness of all Bonds to be advance refunded for such series at or before their respective maturity dates; (iii) completing the Project; and (iv) obtaining funds to acquire or construct additional life care or health care facilities or to renovate or replace existing life care or health care facilities, if then permitted by the Act, located on the real estate described in the Mortgage or located on other real estate which is conveyed to the Corporation and made subject to the lien of the Mortgage, including funds to capitalize interest during construction, to establish reserves for debt service and to pay expenses of the issuance of such Additional Bonds.

All Additional Bonds will be on a parity with the Series 2006 Bonds and all terms are subject to approval by the Authority and the Corporation. Prior to the delivery by the Trustee of any Additional Bonds, there shall be filed with the Trustee the various reports, certificates, endorsements, opinions and supplements to the Indenture and the Mortgage as may be required by the Indenture.

### **Disposition of Revenues**

The Indenture provides for the creation of a separate Revenue Fund. All payments on the Notes and other amounts payable by the Corporation under the Mortgage, as and when received by the Trustee, shall be deposited in the Revenue Fund and shall be held therein until disbursed as provided in the Indenture. Beginning at the times indicated below, the Trustee will make transfers from the Revenue Fund to the Series 2006A Account of the Interest Fund and Series 2006A Account of the Bond Sinking Fund, in that order, as described under the heading "SECOND SUPPLEMENTAL INDENTURE – Funds; Disposition of Revenues."

### **Bonds to Remain Tax Exempt**

The Authority agrees under the Indenture that it will not use, or permit to be used, any of the property acquired out of, or the costs of which were reimbursed or refinanced from Bond proceeds, in an unrelated trade or business as defined in Section 513(a) of the Code so as to cause the Corporation to lose its status as an organization described in Section 501(c)(3) of the Code; nor will it permit such property to be used by any Person in such manner as would result in loss of the tax exemption of interest on its Series 2006 Bonds or any tax-exempt Additional Bonds to the extent otherwise afforded under Section 103(a) of the Code.

### **Arbitrage**

The Authority agrees that it will not take any action or fail to take any action with respect to the investment of any funds held under the Indenture or the proceeds of any Bonds or with respect to the revenues derived from the Notes or the Mortgage, or in any other respect, which may result in constituting the Series 1998 Bonds, Series 2000 Bonds, Series 2006 Bonds or any tax-exempt Additional Bonds "arbitrage bonds" as defined in Section 148 of the Code.

### **Defaults and Remedies**

Events of Default under the Indenture include the following:

(a) Payment of any installment of interest on any of the Bonds shall not be made when the same shall become due and payable.

(b) Payment of the principal or of the redemption premiums, if any, on any of the Bonds shall not be made when the same shall become due and payable, either at maturity or by proceedings for redemption or through failure to fulfill any payment to any fund under the Indenture, or otherwise.

(c) The Authority shall for any reason be rendered incapable of fulfilling its obligations under the Indenture.

(d) Certain events of insolvency or bankruptcy relating to the Authority shall occur.

(e) The Corporation shall default in the performance of its covenant in the Mortgage relating to the discharge, vacation, bonding or stay of any order, writ or warrant of attachment, garnishment, execution, replevin or similar process filed against any part of the funds or accounts held by the Trustee under the Indenture.

(f) An event of default as defined in the Mortgage shall occur and be continuing.

(g) The Authority shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in the Indenture or any agreement supplementing the Indenture, and such default shall continue for 30 days after written notice specifying such default and requiring the same to be remedied shall have been given to the Authority and the Corporation by the Trustee.

(h) The Authority or the Corporation shall fail to comply with any provision of the Tax Representation Certificate, and such failure shall continue for 30 days after notice of such default shall have been given to the Authority and the Corporation by the Trustee.

Upon the occurrence and continuation of any event of default described in paragraphs (a), (b), (e), (f) or (h) above, the Trustee may, without any action on the part of the Bondholders, and shall upon the written request of the Registered Owners of not less than 25% in principal amount of the Bonds then Outstanding (exclusive of Bonds then owned or held by or on behalf of the Authority or the Corporation) declare the entire principal amount of the Bonds then Outstanding and the interest accrued thereon, immediately due and payable. Such declaration is subject to provisions of the Indenture which permit the annulment of such declaration. The Trustee is also authorized to pursue any available remedies by suit at law or in equity to enforce the payment of the principal of, redemption premium, if any, and interest on the Bonds then Outstanding. Pursuant to the Indenture, the Authority grants to the Trustee the exclusive right to enforce the performance of the obligations of the Corporation under the Loan Agreement and the Notes.

The Trustee, upon the written request of the holders of not less than 51% in principal amount of Bonds then Outstanding, is required to waive any event of default under the Indenture and to rescind any declaration of maturity of principal of and interest on the Bonds. Certain events of default, however, relating to payment of principal of or interest on the Bonds may not be waived until all arrears of interest, with interest (to the extent permitted by law) at the rate borne by the Bonds (in respect of which such default shall have occurred) and all arrears of principal and redemption premium, if any, shall have been made and all expenses of the Trustee, in connection with such default, shall have been paid or provided for.

### **Successor Trustee**

The Indenture provides for resignation of the Trustee as well as removal in the following circumstances: (i) by the Authority or by any court of competent jurisdiction upon petition of



any holder of a Bond who has been a bona fide holder of a Bond or Bonds for at least six months, if the Trustee shall become incapable of acting or shall be adjudged bankrupt or insolvent, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, (ii) by the Authority at the request of the Corporation for good cause demonstrated to the satisfaction of the Authority, or (iii) by the holders of 51% in aggregate principal amount of the Bonds then Outstanding may at any time remove the Trustee. Any successor trustee shall be a trust company or bank organized and in good standing under the laws of the United States of America or any state thereof, be duly authorized to exercise trust powers, be subject to examination by a federal or state authority, and shall have combined capital, surplus and undivided profits of at least \$50,000,000 or be a wholly-owned subsidiary or affiliate of a bank holding company, or a wholly-owned subsidiary of a company that is a wholly-owned subsidiary or an affiliate of a bank holding company, which bank holding company shall have a combined capital and surplus of at least \$50,000,000.

### **Supplemental Indentures Not Requiring Consent of Bondholders**

The Authority and the Trustee may without the consent of, or notice to, any of the Bondholders, enter into an indenture or indentures supplemental to the Indenture, as shall not be inconsistent with the terms and provisions of the Indenture, for any one or more of the following purposes:

- (a) to provide for the issuance of Additional Bonds in accordance with the provisions of the Indenture;
- (b) to cure any ambiguity or formal defect or omission in the Indenture;
- (c) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders or the Trustee or either of them;
- (d) to subject additional revenues, properties or collateral to the lien and pledge of the Indenture;
- (e) to modify, amend or supplement the Indenture or any indenture supplemental thereto in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as then amended, or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of any state of the United States of America;
- (f) to modify, amend or supplement the Indenture or any indenture supplemental thereto in such manner as to permit the issuance of coupon Bonds under the Indenture and to permit the exchange of Bonds from fully registered form to coupon form and vice versa;

(g) to modify, amend or supplement the Indenture or any supplemental indenture, in such manner as to permit continued compliance with the Tax Representation Certificate; and

(h) to amend the Indenture in any other respect which, in the judgment of the Trustee, is not to the detriment of the Bondholders.

The Authority and the Trustee will not enter into an indenture or indentures supplemental to the Indenture pursuant to paragraph (f) above unless they shall have received an opinion of Bond Counsel to the effect that the issuance of coupon Bonds will not adversely affect the validity of the Bonds or the exemption from federal income tax of the interest paid on the Series 1998 Bonds, Series 2000 Bonds, Series 2006 Bonds or any tax-exempt Additional Bonds to the extent afforded under Section 103(a) of the Code.

### **Supplemental Indentures Requiring Consent of Bondholders**

Exclusive of supplemental indentures described under the preceding caption, the holders of not less than 51% in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to consent to and approve the execution by the Authority and the Trustee of such other indenture or indentures supplemental to the Indenture as shall be deemed necessary and desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any supplemental indenture; provided, however, that nothing in the Indenture shall permit or be construed as permitting (a) an extension of the stated maturity or reduction in the principal amount of, or reduction in the rate or extension of the time of paying of interest on, or reduction of any premium payable on the redemption of, any Bond, without the consent of the Registered Owner of such Bond, or (b) a reduction in the amount or extension of the time of any payment required to be made into the Interest Fund or the Bond Sinking Fund, as described above, or (c) a reduction in the aforesaid aggregate principal amount of Bonds the Registered Owners of which are required to consent to any such supplemental indenture, without the consent of the Registered Owners of all the Bonds at the time Outstanding which would be affected by the action to be taken, or (d) a modification of the rights, duties or immunities of the Trustee, without the written consent of the Trustee or (e) the loss of tax exemption, to the extent otherwise afforded under Section 103(a) of the Code, of interest on any Bond held by a non-consenting Bondholder. A supplemental indenture which affects any rights of the Corporation shall not become effective unless and until the Corporation shall have consented in writing to the execution and delivery of such supplemental indenture.

### **Amendments to the Mortgage Not Requiring Consent of Bondholders**

The Authority and the Trustee may, without the consent of or notice to the Bondholders, consent to any amendment, change or modification of the Mortgage as may be required (i) by the provisions of the Mortgage or the Indenture, (ii) for the purpose of curing any ambiguity or formal defect or omission which is not prejudicial to the rights of the Registered Owners of the Bonds, (iii) for the purpose of complying with the provisions of the Tax Representation

Certificate, or (iv) in connection with any other change in the Mortgage which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Bondholders.

### **Amendments to the Mortgage Requiring Consent of Bondholders**

Except for the amendments, changes or modifications described under the preceding caption, neither the Authority nor the Trustee shall consent to any other amendment, change or modification of the Mortgage without the written approval or consent of the Registered Owners of not less 51% in aggregate principal amount of the Bonds at the time Outstanding.

Under no circumstances shall any amendment to the Mortgage alter the Notes or the payments of principal and interest thereon, without the consent of the Registered Owners of all the Bonds at the time Outstanding.

### **Satisfaction of the Lien of the Indenture**

The lien of the Indenture shall be satisfied if, in addition to certain other conditions referred to in the Indenture, the Authority shall pay and discharge the entire indebtedness on all Bonds outstanding in any one or more of the following ways:

- (a) By paying or causing to be paid the principal of (including the redemption premium, if any) and interest on all Bonds outstanding, as and when the same shall become due and payable;
- (b) By depositing with the Trustee, in trust, at or before maturity, money in the necessary amount to pay or redeem (when redeemable) all Bonds outstanding;
- (c) By delivery to the Trustee, for cancellation, all Bonds outstanding; or
- (d) By depositing with the Trustee, in trust, cash and/or legally permissible Escrowed Securities not redeemable prior to maturity thereof without the consent of the holder thereof, in such amount as the Trustee shall determine, on the basis of a verification by a firm of nationally recognized independent certified public accountants will, together with the income or increment to accrue thereon, be fully sufficient to pay or redeem (when redeemable) and discharge the indebtedness on all Bonds at or before their respective maturity dates (or their redemption dates, if redeemed prior to maturity), together with an opinion of Bond Counsel to the effect that such deposit is legally permissible and will not cause the loss of tax-exemption of interest on the Bonds to the extent otherwise afforded under Section 103(a) of the Code.

The Authority may, at any time and from time to time, in lieu of making the deposit specified in the foregoing clause (4) with respect to all Bonds, make such deposit with respect to specified Bonds and deliver an opinion of Bond Counsel setting forth the matters referred to in such paragraph and with respect to such specified Bonds.

Any moneys, funds, securities, or other property remaining on deposit in the Revenue Fund, Interest Fund, Bond Sinking Fund, or in any other fund or investment under the Indenture (other than the cash and/or Escrowed Securities deposited in trust as above provided) shall, upon

the full satisfaction of the lien of the Indenture, be transferred, paid over and distributed to the Corporation.

## **SECOND SUPPLEMENTAL INDENTURE**

The Second Supplemental Indenture contains various covenants, security provisions, terms and conditions, certain of which are summarized below. Reference is made to the Second Supplemental Indenture for a full and complete statement of its provisions. All references to the Bond Sinking Fund, Interest Fund, Redemption Fund, Project Fund, LOC Fee Fund, Debt Service Reserve Fund, Expense Fund and Purchase Fund under this heading shall mean such funds created under and pursuant to the Second Supplemental Indenture.

### **Funds; Disposition of Revenues**

#### **1. Interest Fund.**

On the Business Day prior to each Interest Payment Date, the Trustee shall deposit in the 2006 Interest Account from the Special Interest Account the percentage specified in the Second Supplemental Indenture of the amount of the interest due on the Series 2006 Bonds until no funds remain on deposit in the Special Interest Account; provided, however, that (i) no funds shall be transferred to the 2006 Interest Account representing interest on the Series 2006 Bonds for any day after the date specified in the Second Supplemental Indenture (the "End Date"), unless the Trustee receives an Opinion of Bond Counsel to the effect that such transfer will not adversely affect the validity of the Series 2006 Bonds or any exemption from federal income taxation to which the Series 2006 Bonds would otherwise be entitled and (ii) amounts on deposit in the Special Interest Account after the End Date (i) may be used by the Corporation to pay the cost of any "health facility property" as defined in the Act upon receipt of an Opinion of Bond Counsel to the effect that such application of funds will not adversely affect the validity of the Series 2006 Bonds or any exemption from federal income taxation to which the interest on the Series 2006 Bonds would otherwise be entitled.

In addition, upon receipt of a Written Request of the Corporation for reimbursement of the payment of an amount not to exceed the percentage specified in the Second Supplemental Indenture of the payments owed by the Corporation under the Swap on or before the End Date, the Trustee may disburse moneys in the Special Interest Account to reimburse the Corporation for such Swap payment. In addition, the Corporation shall transfer to the Trustee for deposit in the Special Interest Account any amounts paid to the Corporation by the provider with respect to the Swap on or before the End Date.

During a Weekly Rate Period, on each Interest Payment Date the Trustee shall deposit in the 2006 Interest Account moneys received from the Corporation in an amount which, together with any moneys already on deposit in the 2006 Interest Account and available to make such payment (including amounts on deposit in the Special Interest Account), is not less than the amount of interest to become due on the Series 2006 Bonds on such Interest Payment Date. During an Adjustable Long-Term Rate Period, on or before the twentieth day of each month, the Trustee shall deposit in the 2006 Interest Account moneys in an amount which, together with an equal amount to be deposited on the twentieth day of each month preceding the next regularly

scheduled semi-annual Interest Payment Date, is not less than the interest to become due on the next succeeding regularly scheduled semi-annual Interest Payment Date of the Series 2006 Bonds. No monthly deposit pursuant to the preceding sentence need be made, however, to the extent that there is a sufficient amount already on deposit and available for such purpose in the 2006 Interest Account to be applied to such next interest payment. If the twentieth day of any calendar month is not a Business Day, the deposit required to be made shall be made on the next succeeding Business Day.

On the second Business Day prior to each Interest Payment Date during any Weekly Rate Period, the Trustee shall take such actions as are necessary to draw funds under the Credit Facility in accordance with its terms in an amount equal to the amount of interest due and payable on each Series 2006 Bond (other than a Bank Bond or Series 2006 Bonds owned by the Corporation or the Authority) on such Interest Payment Date. If the Trustee does not receive such amount on the Business Day preceding such Interest Payment Date, the Trustee shall take such actions as are necessary to draw funds under the Confirmation in accordance with its terms in an amount equal to the amount of interest due and payable on each Series 2006 Bond (other than a Bank Bond or Series 2006 Bonds owned by the Corporation or the Authority) on such Interest Payment Date. All proceeds of drawings under the Credit Facility or the Confirmation, if any, to pay interest on the Series 2006 Bonds on an Interest Payment Date shall be deposited in the LOC Interest Account and shall not be commingled with any other moneys, but shall be held by the Trustee as agent and bailee for the sole benefit and security of the owners of the Series 2006 Bonds (other than Bank Bonds or Series 2006 Bonds owned by the Corporation or the Authority) bearing interest at a Weekly Rate until applied as provided in the Second Supplemental Indenture.

Except as provided in this paragraph, elsewhere in the Second Supplemental Indenture and in the Tax Documents, moneys in the 2006 Interest Account shall be used solely to pay interest on the Series 2006 Bonds, when due to reimburse the Corporation for Swap payments as described in the Second Supplemental Indenture or to reimburse the Credit Facility Issuer or the Confirming Bank, if any, for draws on the Credit Facility or the Confirmation, if any. The Trustee shall at all times maintain accurate records of deposits into the 2006 Interest Account (including the LOC Interest Account), and the sources and dates of such deposits. Notwithstanding any other provisions of the Second Supplemental Indenture, payments of interest on Series 2006 Bonds (other than Bank Bonds or Series 2006 Bonds owned by the Corporation or the Authority) bearing interest at a Weekly Rate shall be made from Eligible Moneys on deposit in the LOC Interest Account. Payments of interest on Series 2006 Bonds bearing interest at an Adjustable Long-Term Rate and after the Fixed Interest Rate Conversion Date shall be made from any moneys on deposit in the 2006 Interest Account. Payment of interest on Bank Bonds or Series 2006 Bonds owned by the Corporation or the Authority shall be made from any moneys on deposit in the 2006 Interest Account other than the LOC Interest Account. On each Interest Payment Date after payment in full of all interest due on the Series 2006 Bonds (other than Bank Bonds or Series 2006 Bonds owned by the Corporation or the Authority), funds remaining on deposit in the 2006 Interest Account (other than in the LOC Interest Account) shall be transferred by the Trustee by wire transfer to the Credit Facility Issuer or the Confirming Bank, as appropriate, in the amount necessary to reimburse the Credit Facility Issuer or the Confirming Bank, as appropriate, for the interest portion of the draw on the Credit Facility or the Confirmation made on such date. No interest shall be paid on Bank Bonds or

Series 2006 Bonds owned by the Corporation or the Authority on any date unless and until interest shall be paid on all other Series 2006 Bonds due on such date and the Credit Facility Issuer or the Confirming Bank, as appropriate, shall be reimbursed for the interest portion of the draw on the Credit Facility or the Confirmation made on such date.

After the Fixed Interest Rate Conversion Date, on the twentieth day of each month following the month in which the Fixed Interest Rate Conversion Date occurs, the Trustee shall deposit in the 2006 Interest Account moneys received from the Corporation in an amount which, together with an equal amount to be deposited on the twentieth day of each such month, if any, occurring prior to the next succeeding Interest Payment Date, will be not less than the amount of interest to become due on the Series 2006 Bonds on such Interest Payment Date. Thereafter, on the tenth day of each month, the Trustee shall deposit in the 2006 Interest Account moneys received from the Corporation in an amount which is equal to not less than one-sixth ( $1/6$ ) of the interest to become due on the next succeeding Interest Payment Date. No deposit pursuant to the provisions of the Second Supplemental Indenture summarized in this paragraph need be made if and to the extent that there is a sufficient amount already on deposit and available for such purpose in the 2006 Interest Account. If the twentieth day of any such month is not a Business Day, the deposit required to be made shall be made on the next succeeding Business Day.

In connection with any partial redemption or defeasance prior to maturity of the Series 2006 Bonds, the Trustee may, at the request of the Corporation, use any amounts on deposit in the 2006 Interest Account in excess of the amount needed to pay the interest on the Series 2006 Bonds remaining outstanding on the first interest payment date occurring on or after the date of such redemption or defeasance to pay the principal of and interest on the Series 2006 Bonds to be redeemed or defeased.

## 2. Bond Sinking Fund.

On each mandatory Bond Sinking Fund payment date or Maturity, the Trustee shall deposit in the 2006 Sinking Fund Account moneys received from the Corporation in an amount which, together with any moneys already on deposit in the Bond Sinking Fund and available to make such payment, is not less than the principal becoming due on the Series 2006 Bonds on such date.

While the Series 2006 Bonds bear interest at a Weekly Rate, on the Second Business Day prior to Maturity, the Trustee shall draw funds under the Credit Facility in accordance with its terms in an amount equal to the amount of principal due and payable on such date on the Series 2006 Bonds (other than Bank Bonds or Series 2006 Bonds owned by the Corporation or the Authority). If the Trustee does not receive such amount on the Business Day preceding such payment date, the Trustee shall take such actions as are necessary to draw funds under the Confirmation, if any, in accordance with its terms in an amount equal to the amount of principal due and payable on the Series 2006 Bonds (other than Bank Bonds or Series 2006 Bonds owned by the Corporation or the Authority) on such date. All proceeds of drawings under the Credit Facility or the Confirmation, if any, to pay the principal of the Series 2006 Bonds upon Maturity shall be deposited in the LOC Principal Account and shall not be commingled with any other moneys, but shall be held by the Trustee as agent and bailee for the sole benefit and security of the owners of Series 2006 Bonds (other than Bank Bonds or Series 2006 Bonds owned by the

Corporation or the Authority) bearing interest at a Weekly Rate until applied as provided in the Second Supplemental Indenture.

While the Series 2006 Bonds are in the Adjustable Long-Term Mode or the Weekly Mode, on or before the twentieth day of each calendar month commencing May 20, 2035, the Trustee shall deposit in the 2006 Sinking Fund Account moneys received from the Corporation in an amount which is not less than one-twelfth (1/12) of the principal of the Series 2006 Bonds to become due on the next May 1 by Maturity or mandatory Bond Sinking Fund redemption pursuant to the Second Supplemental Indenture. No such deposit need be made, however, to the extent that there is a sufficient amount already on deposit and available for such purpose in the 2006 Sinking Fund Account to be applied to such next Maturity or mandatory Bond Sinking Fund redemption payment. If the twentieth day of any calendar month is not a Business Day, the deposit required to be made shall be made on the next succeeding Business Day.

Except as provided in this paragraph, elsewhere in the Second Supplemental Indenture and in the Tax Documents, moneys in the 2006 Sinking Fund Account shall be used solely for the payment of principal of the Series 2006 Bonds as the same shall become due and payable at Maturity, to redeem the Series 2006 Bonds in accordance with the mandatory 2006 Sinking Fund Account redemption schedule provided in the Second Supplemental Indenture or to reimburse the Credit Facility Issuer or Confirming Bank, if any, for draws on the Credit Facility or Confirmation, if any. The Trustee shall at all times maintain accurate records of deposits into the 2006 Sinking Fund Account (including the LOC Principal Account), and the sources and dates of such deposits. Payments of principal on Series 2006 Bonds (other than Bank Bonds or Series 2006 Bonds owned by the Corporation or the Authority) bearing interest at a Weekly Rate shall be made from Eligible Moneys on deposit in the LOC Principal Account. Payments of principal on any Series 2006 Bonds bearing interest at an Adjustable Long-Term Rate and after the Fixed Interest Rate Conversion Date shall be made from any moneys on deposit in the 2006 Sinking Fund Account. Notwithstanding any other provisions of the Second Supplemental Indenture, payments of principal on Bank Bonds or Series 2006 Bonds owned by the Corporation or the Authority shall be made from any moneys on deposit in the 2006 Sinking Fund Account other than the LOC Principal Account. On each principal payment date, after payment in full of all principal due on the Series 2006 Bonds (other than Bank Bonds or Series 2006 Bonds owned by the Corporation or the Authority), funds remaining on deposit in the 2006 Sinking Fund Account (other than the LOC Principal Account) shall be transferred by the Trustee by wire transfer to the Credit Facility Issuer or the Confirming Bank, as appropriate, in the amount necessary to reimburse the Credit Facility Issuer or the Confirming Bank, as appropriate, for the principal portion of the draw on the Credit Facility or the Confirmation, if any, made on such date. No principal of Bank Bonds or Series 2006 Bonds owned by the Corporation or the Authority shall be paid unless and until the principal of all other Series 2006 Bonds due on such date shall be paid and the Credit Facility Issuer or the Confirming Bank, as appropriate, shall be reimbursed for the principal portion of the draw on the Credit Facility or a Confirmation made on such date.

After the Fixed Interest Rate Conversion Date, on the twentieth day of each month following the month in which the Fixed Interest Rate Conversion Date occurs, after making the deposits required to be made in the Interest Fund, the Trustee shall deposit in the 2006 Sinking Fund Account moneys received from the Corporation in an amount which, together with an equal amount to be deposited on the twentieth day of each such month, if any, occurring before

the next succeeding May 1, will be not less than the amount of principal to become due on the Series 2006 Bonds on the next succeeding May 1 by Maturity or by mandatory Bond Sinking Fund redemption. Thereafter, on the tenth day of each month, the Trustee shall deposit in the 2006 Sinking Fund Account from moneys received from the Corporation an amount which is not less than one-twelfth (1/12) of the principal of the Series 2006 Bonds on the next succeeding May 1, by Maturity or by mandatory Bond Sinking Fund redemption. No deposit pursuant to the provisions of the Second Supplemental Indenture summarized in this paragraph need be made if and to the extent that there is a sufficient amount already on deposit and available for such purpose in the 2006 Sinking Fund Account. If the twentieth day of any month is not a Business Day, the deposit required to be made shall be made on the next succeeding Business Day.

After the Fixed Interest Rate Conversion Date, in lieu of such mandatory Bond Sinking Fund redemption, the Trustee may, at the request of the Corporation, purchase an equal principal amount of Series 2006 Bonds in the open market at prices not exceeding the principal amount of the Series 2006 Bonds being purchased plus accrued interest. In addition, the amount of Series 2006 Bonds to be redeemed on any date pursuant to the mandatory Bond Sinking Fund redemption schedule shall be reduced by the principal amount of Series 2006 Bonds designated to such mandatory Bond Sinking Fund redemption date by the Corporation, upon delivery to the Trustee for cancellation.

In connection with any partial redemption or defeasance prior to maturity of the Series 2006 Bonds, the Trustee may, at the request of the Corporation, use any amounts on deposit in the 2006 Sinking Fund Account in excess of the amount needed to pay principal on the Series 2006 Bonds remaining outstanding on the first principal or mandatory sinking fund payment date occurring on or after the date of such redemption or defeasance to pay the principal of and interest on the Series 2006 Bonds to be redeemed or defeased.

### 3. Rebate Fund.

The Trustee shall make information regarding the Series 2006 Bonds and investments under the Second Supplemental Indenture available to the Corporation. Anything in the Second Supplemental Indenture to the contrary notwithstanding, this paragraph may be suspended or amended by new written procedures delivered by the Corporation and accompanied by an Opinion of Bond Counsel addressed to the Trustee to the effect that the use of new procedures will not cause a loss of the exclusion from gross income of the interest on the Series 2006 Bonds for Federal income tax purposes.

Pursuant to the Tax Documents, the Corporation is required to make certain computations and make certain payments to the United States of America in order to comply with its obligations under Section 148 (f) of the Code. The Corporation is required to provide copies of such computations and evidence of such payment to the Trustee on or before the respective payment dates specified in the Tax Documents. If the Trustee does not receive copies of such computations and evidence of such payment on or prior to the respective payment date set forth in the Tax Documents, the Trustee shall request copies of such computations and evidence of payment immediately. Records of the computations and payments required under the Tax Documents must be retained by the Trustee until six (6) years after the Series 2006 Bonds are no longer outstanding.



If the Corporation elects to make a deposit to the 2006 Rebate Account, the Trustee shall accept such amounts from time to time and invest those amounts in accordance with the instructions of the Corporation. Upon written instructions from the Corporation, the Trustee shall disburse funds from the 2006 Rebate Account to make payments required under the Tax Documents or transfer excess funds to the Corporation.

4. Redemption Fund.

In the event of (a) prepayment by or on behalf of the Corporation of amounts payable on the Series 2006A Note, (b) receipt by the Trustee of condemnation awards or insurance proceeds for purposes of redeeming Series 2006 Bonds or (c) deposit with the Trustee by the Corporation or the Authority of moneys from any other source for redeeming Series 2006 Bonds, such moneys shall be deposited in the Redemption Fund (other than the LOC Redemption Account). Moneys drawn under the Credit Facility or Confirmation, if any, for payment of the principal of, premium, if any, and interest on the Series 2006 Bonds upon redemption shall be deposited into the LOC Redemption Account of the Redemption Fund and shall not be commingled with any other moneys (other than moneys in such Account) held by the Trustee.

On the second Business Day prior to the date of redemption during any Weekly Rate Period, the Trustee shall take actions as are necessary to draw funds under the Credit Facility in accordance with its terms in an amount equal to the redemption price for the Series 2006 Bonds (other than Bank Bonds or Series 2006 Bonds owned by the Corporation or the Authority) on such date. If the Trustee does not receive such amount on the Business Day preceding such redemption date, the Trustee shall take actions as are necessary to draw funds under the Confirmation, if any, in accordance with its terms in an amount equal to the redemption price payable on the Series 2006 Bonds being redeemed (other than Bank Bonds or Series 2006 Bonds owned by the Corporation or the Authority) on such payment date. All proceeds of drawings under the Credit Facility or Confirmation, if any, to make timely redemption payments shall be deposited in the LOC Redemption Account and shall be held by the Trustee as agent and bailee for the sole benefit and security of the holders of Series 2006 Bonds (other than Bank Bonds or Series 2006 Bonds owned by the Authority or the Corporation) bearing interest at a Weekly Rate until applied as provided in the Second Supplemental Indenture. While the Series 2006 Bonds bear interest at a Weekly Rate, payments of the redemption price of the Series 2006 Bonds (other than Bank Bonds or Series 2006 Bonds owned by the Corporation or the Authority) to be redeemed pursuant to the Second Supplemental Indenture shall be made, to the extent available, from Eligible Moneys on deposit in the LOC Redemption Account. The redemption price of Series 2006 Bonds which bear interest at an Adjustable Long-Term Rate or a Fixed Interest Rate or are Bank Bonds or Series 2006 Bonds owned by the Corporation or the Authority, shall be paid from amounts deposited in the Redemption Fund (other than the LOC Redemption Account).

Moneys on deposit in the Redemption Fund shall be used first to make up any deficiencies existing in the 2006 Interest Account and the 2006 Sinking Fund Account (in the order listed) and second for the purchase or redemption of Series 2006 Bonds in accordance with the provisions of the Second Supplemental Indenture; provided, however, that moneys on deposit in the LOC Redemption Account shall not be used to make up deficiencies in the 2006 Interest Account and the 2006 Sinking Fund Account other than in the LOC Interest Account and the

LOC Principal Account. On any date on which Series 2006 Bonds are redeemed from amounts on deposit in the Redemption Fund, after payment in full of the redemption price of all Series 2006 Bonds redeemed on such date from amounts on deposit in the Redemption Fund, funds remaining on deposit in the Redemption Fund (exclusive of the LOC Redemption Account) shall be transferred by the Trustee by wire transfer to the Credit Facility Issuer or the Confirming Bank, as appropriate, in the amount necessary to reimburse the Credit Facility Issuer or the Confirming Bank, as appropriate, for the draw made on the Credit Facility or Confirmation, as appropriate, to pay such redemption price. No redemption price of Bank Bonds or Series 2006 Bonds owned by the Corporation or the Authority shall be paid unless and until the redemption price of all other Series 2006 Bonds due on such date shall be paid and the Credit Facility Issuer or the Confirming Bank, as appropriate, shall be reimbursed for the draw made on the Credit Facility or Confirmation, as appropriate, to pay such redemption price.

5. Debt Service Reserve Fund.

The Authority shall establish with the Trustee a separate account of the Debt Service Reserve Fund created under the Original Indenture to be known as the "Debt Service Reserve Account Series 2006A" (the "2006 Reserve Account"). A deposit to the credit of the 2006 Reserve Account is to be made under the provisions of the Second Supplemental Indenture in an amount to increase the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement. Funds held in the Debt Service Reserve Fund shall be applied to make up deficiencies in the Interest Fund and Bond Sinking Fund for the Bonds.

6. Expense Fund.

Moneys in the Expense Fund will be disbursed upon receipt of a Written Request of the Corporation for the payment of expenses for any recording, trustee's and depository's fees and expenses, accounting and legal fees, financing costs and other fees and expenses incurred or to be incurred by or on behalf of the Authority or the Corporation in connection with or incident to the issuance and sale of the Series 2006 Bonds. At such time as the Trustee is furnished with a Written Request stating that all such fees and expenses have been paid, and in no event later than the date specified in the Second Supplemental Indenture, the Trustee shall transfer any moneys remaining in the Expense Fund to the 2006 Project Account.

7. Project Fund.

A deposit to the credit of the 2006 Project Account and the Refunding Account shall be made as required by the provisions of the Second Supplemental Indenture. Moneys deposited in the 2006 Project Account shall be paid out from time to time by the Trustee in order to pay, or as reimbursement to the Corporation for payment made, for the costs of the 2006 Project, upon receipt by the Trustee of a Written Request of the Corporation, which has been approved by the Initial Credit Facility Issuer as described below.

Each Written Request of the Corporation for a withdrawal from the 2006 Project Account shall state:

- (i) the name of the person to whom such payment is due, each amount to be paid or reimbursed, the general classification of the cost for which each obligation to be paid was incurred, and that such costs were incurred for or in connection with the 2006 Project; and
- (ii) that such costs have been incurred by the Corporation and are presently due and payable or have been paid by the Corporation and are reimbursable under the Second Supplemental Indenture and each item thereof is a proper charge against the 2006 Project Account and that no part of such costs of the 2006 Project was included in any Written Request previously filed with the Trustee under the Second Supplemental Indenture; and
- (iii) that such costs are for items which constitute "health facility property" under the Act.

Upon completion of the 2006 Project, the Corporation shall provide its Written Request to the Trustee stating that the 2006 project has been completed and that the balance of money in the accounts of the Project Fund shall be transferred to the 2006 Sinking Fund Account by the Trustee.

Upon the Closing Date, the Trustee shall transfer the amount in the Refunding Account to U.S. Bank National Association, as successor to National City Bank, as escrow trustee ("Escrow Trustee") under an Escrow Deposit Agreement dated as of August 1, 2006 among the Corporation, the Trustee and the Escrow Trustee to provide for the payment of the Prior Bonds.

8. LOC Fee Fund.

An initial deposit to the credit of the LOC Fee Fund is to be made under the provisions of the Second Supplemental Indenture. Amounts on deposit in the LOC Fee Fund may be disbursed upon the Written Request of the Corporation for payment of the fees of the Credit Facility Issuer.

9. Purchase Fund.

Upon receipt of the proceeds of a remarketing or placement of Optionally Tendered Series 2006 Bonds on an Optional Tender Date or Mandatorily Tendered Series 2006 Bonds on a Mandatory Tender Date, the receipt of proceeds from the sale or placement of Mandatorily Tendered Series 2006 Bonds on the Fixed Interest Rate Conversion Date or the Variable Rate Conversion Date or the receipt of moneys for the purchase of Series 2006 Bonds pursuant to the Credit Facility or the Confirmation, if any, on any Optional Tender Date or Mandatory Tender Date, the Trustee shall deposit such money in the Purchase Fund for application to the Tender Price of the Series 2006 Bonds. Upon the receipt of the proceeds of a remarketing or placement of Bank Bonds or Series 2006 Bonds owned by the Corporation or the Authority on a Placement Date, the Trustee shall promptly pay such proceeds to the Credit Facility Issuer on behalf of the Corporation in immediately available funds.

On any Optional Tender Date or Mandatory Tender Date, the Trustee shall transfer on the Bond Register ownership of all of the Series 2006 Bonds tendered or required to be tendered to the name of the purchaser thereof, including without limitation, registration of Bank Bonds. Unless otherwise directed by the Credit Facility Issuer, the Trustee shall take such actions as are necessary to cause the Trustee, as custodian for the Credit Facility Issuer, to be reflected as the beneficial owner of Bank Bonds in the records of DTC, including, if requested by the Credit Facility Issuer, the assignment of separate CUSIP numbers for such Bank Bonds. On any Placement Date, the Trustee shall transfer on the Bond Register ownership of all Bank Bonds remarketed on such Placement Date to the name of the purchaser thereof. From and after such dates interest on such Series 2006 Bonds shall be payable solely to such purchaser, its transferees or the successors thereto. Any holder of an Optionally Tendered Bond required to tender such Series 2006 Bond for purchase on an Optional Tender Date with respect to such Series 2006 Bond and any holder of a Mandatorily Tendered Bond required to tender such Series 2006 Bond for purchase on a Mandatory Tender Date with respect to such Series 2006 Bond shall be entitled solely to payment of the Tender Price for such Series 2006 Bonds and shall not be entitled to the payment of any principal thereon or any interest accrued thereon on or after such Optional or Mandatory Tender Date provided that the Tender Price has been deposited with the Trustee. Any such Series 2006 Bond deemed to be tendered shall no longer be considered to be an Outstanding Bond under the Second Supplemental Indenture.

Amounts held by the Trustee to pay the Tender Price of the Series 2006 Bonds shall be held uninvested or shall upon the direction of the Corporation be invested only in United States Government Obligations having a maturity date no later than the date or dates that moneys therefrom are anticipated to be required, but which may be liquidated at the original principal amount thereof on no more than one Business Day's prior notice. Amounts held to pay the Tender Price for more than six years shall be applied as provided under the Second Supplemental Indenture.

### **Investment of Funds**

Moneys in the Interest Fund, Bond Sinking Fund, Redemption Fund, Project Fund, LOC Fee Fund, Debt Service Reserve Fund, Purchase Fund and Expense Fund shall be invested in Qualified Investments upon a Written Request of the Corporation filed with the Trustee; provided, however, that moneys deposited into the LOC Interest Account, the LOC Principal Account, the Purchase Fund and the LOC Redemption Account shall only be invested in United States Government Obligations with a term not exceeding (i) the earlier of 30 days from the date of investment of such moneys or (ii) the date such moneys are anticipated to be required. Such investments shall be made so as to mature on or prior to the date or dates that moneys therefrom are anticipated to be required. No investment earnings shall be deposited into the LOC Interest Account, LOC Principal Account, LOC Redemption and Purchase Fund, other than investment earnings from moneys on deposit in each such account. The Trustee, when authorized by the Corporation, may purchase or sell securities authorized in the Second Supplemental Indenture through itself or a related subsidiary as principal or agent, in the purchase and sale of securities for such investments; provided, however, that in no case shall any investment be otherwise than in accordance with the investment limitations contained in the Second Supplemental Indenture and in the Tax Documents. The Trustee shall not be liable or responsible for any loss resulting from any such investments.

Prior to the completion of the 2006 Project, the investment earnings on funds on deposit in the 2006 Project Account, the 2006 Reserve Account and the LOC Fee Fund shall be deposited in the Special Interest Account and investment earnings on the moneys deposited in the Special Interest Account shall be retained therein; provided, that no such funds shall be so transferred after the date specified in the Indenture or such later date as the Corporation may request if the Corporation delivers to the Trustee an Opinion of Bond Counsel to the effect that such application of investment earnings will not adversely affect the validity of the Series 2006 Bonds or any exemption from federal income taxation to which the Series 2006 Bonds would otherwise be entitled.

All income in excess of the requirements of the funds specified in the first paragraph under this caption derived from the investment of moneys on deposit in any such funds shall be retained in the fund or account from which such investment was made:

### **Credit Facility**

During such time as a Credit Facility is in effect, the Trustee shall draw upon the Credit Facility in accordance with its terms at the times required by the Credit Facility and in an amount which will be sufficient to pay, on any date on which due, principal of and interest on Series 2006 Bonds (other than Bank Bonds or the Series 2006 Bonds owned by the Corporation or the Authority) while the Series 2006 Bonds bear interest at a Weekly Rate, whether upon redemption, at Maturity, on an Interest Payment Date, upon acceleration or otherwise or to purchase such Series 2006 Bonds in lieu of redemption. In no event shall the Trustee draw upon the Credit Facility to make (i) any payment of principal of Bank Bonds, Series 2006 Bonds bearing interest at an Adjustable Long-Term Rate or a Fixed Interest Rate, or Series 2006 Bonds owned by the Corporation or the Authority, or (ii) any payment of interest on any Interest Payment Date on Series 2006 Bonds which as of the Record Date for such Interest Payment Date were Bank Bonds or Series 2006 Bonds bearing interest at an Adjustable Long-Term Rate or a Fixed Interest Rate.

The Trustee shall draw moneys under the Credit Facility in accordance with its terms and in accordance with the Second Supplemental Indenture to the extent necessary to pay to the Bondholders the Tender Price of Tendered Series 2006 Bonds. Immediately following each drawing under the Credit Facility, other than one to pay principal of or interest on the Series 2006 Bonds on an Interest Payment Date or Maturity, and not as a condition to such drawing, the Trustee shall use its best efforts to give telephonic notice to the Corporation that such a drawing under the Credit Facility was made. The Trustee shall return any moneys drawn under the Credit Facility to the Credit Facility Issuer by wire transfer as soon as reasonably practicable on or after the applicable Tender Date to the extent such moneys exceed the amount necessary to pay the Tender Price of Tendered Series 2006 Bonds.

The Corporation has covenanted in the Second Supplemental Mortgage that while the Series 2006 Bonds bear interest at a Weekly Rate, the Corporation will not cancel the Credit Facility then in effect unless it provides a Renewal Credit Facility or an Alternate Credit Facility satisfying the requirements of the Second Supplemental Indenture.

The Corporation may, subject to the provisions of the Credit Facility Agreement, at any time arrange for the deposit with the Trustee of a Renewal Credit Facility in substitution for the existing Credit Facility. A draft of such Renewal Credit Facility, a draft of the related Renewal Credit Facility Agreement, if any, and appropriate information concerning the Credit Facility Issuer which will issue such Renewal Credit Facility shall be submitted by the Corporation to the Trustee at least 15 days prior to the date such Renewal Credit Facility is to become effective. Any Renewal Credit Facility must have an adequate interest component to comply with the provisions of the Second Supplemental Indenture summarized in the ninth paragraph under this caption.

The Corporation may, subject to the provisions of the Credit Facility Agreement, at any time arrange for the deposit with the Trustee of an Alternate Credit Facility in substitution for the existing Credit Facility. A draft of such Alternate Credit Facility, a draft of the related Credit Facility Agreement and a draft of any supplemental Indenture required to be executed in connection with the delivery of the Alternate Credit Facility, and appropriate information concerning the entity which will issue such Alternate Credit Facility shall be submitted by the Corporation to each Rating Agency then maintaining a rating on the Series 2006 Bonds, and each such Rating Agency shall give notice, promptly confirmed in writing, to the Trustee at least 15 days prior to the date such Alternate Credit Facility is to become effective as to the rating, if any, which will be assigned to the Series 2006 Bonds by such Rating Agency after such substitution.

The Credit Facility then in effect may be replaced by an Alternate Credit Facility only if (i) the provisions for mandatory tender for purchase of the Series 2006 Bonds described in the Second Supplemental Indenture are complied with, (ii) prior to such replacement the Corporation shall have delivered to the Trustee, the Authority and the Credit Facility Issuer an Opinion of Bond Counsel to the effect that such replacement will not adversely affect the validity or enforceability in accordance with their terms of the Series 2006 Bonds, (iii) prior to such replacement the Corporation shall have delivered to the Trustee, the Authority and the Credit Facility Issuer an Opinion of Bond Counsel to the effect that such replacement will not adversely affect any exemption from federal income taxation to which interest on the Series 2006 Bonds would otherwise be entitled and (iv) the Trustee shall receive an enforceability opinion and any other opinions required by each Rating Agency rating the Series 2006 Bonds following the replacement from counsel for the Credit Facility Issuer issuing the Alternate Credit Facility. In addition, the Credit Facility then in effect may not be replaced by an Alternate Credit Facility unless, if then required by the Credit Facility Agreement, all amounts owed to the existing Credit Facility Issuer under the Credit Facility Agreement have been paid in full and no Bank Bonds remain outstanding.

If at any time there shall have been delivered to the Trustee, in substitution for the Credit Facility then in effect, either an Alternate Credit Facility or a Renewal Credit Facility, then the Trustee shall accept such Alternate Credit Facility or Renewal Credit Facility and shall surrender the Credit Facility then in effect to the Credit Facility Issuer which issued the Credit Facility in accordance with its terms for cancellation as soon as such Credit Facility is no longer required to be available to be drawn upon under the Second Supplemental Indenture unless such Renewal Credit Facility is effected through the attachment of an exhibit or similar attachment to the prior Credit Facility as permitted by the terms of such Credit Facility. If the Series 2006 Bonds have been converted to an Adjustable Long-Term Rate or a Fixed Interest Rate, the Trustee shall

promptly surrender the Credit Facility then in effect to the Credit Facility Issuer which issued such Credit Facility in accordance with the terms thereof and of the Second Supplemental Indenture for cancellation. The Trustee shall promptly surrender any Credit Facility after it expires in accordance with its terms. In the event of a mandatory tender of all the Series 2006 Bonds while in the Weekly Mode, the Trustee may surrender the Credit Facility at the request of the Credit Facility Issuer on the Business Day immediately succeeding the day the Credit Facility is terminated. In the event of a partial optional redemption, the Trustee may take such actions as are required to reduce the amount which may be drawn thereunder so long as the requirements of the Second Supplemental Indenture summarized in the ninth paragraph under this caption continue to be satisfied.

The Trustee shall not sell, assign or otherwise transfer the Credit Facility except to a successor Trustee under the Indenture and in accordance with the terms of the Credit Facility.

### **Confirmation**

So long as the Series 2006 Bonds bear interest at a Weekly Rate, the Corporation is required to cause to have on deposit with the Trustee a Credit Facility in accordance with the Second Supplemental Mortgage. When a Credit Facility is in effect, the Corporation shall maintain the Interest Component of the Credit Facility in an amount which shall not be less than the amount determined by multiplying (A) the outstanding principal amount of Series 2006 Bonds bearing interest at a Weekly Rate times (B) the Interest Coverage Rate for such Weekly Rate Period required to be used pursuant to this paragraph times (C) the quotient determined by dividing (1) the Interest Coverage Period for such Weekly Rate Period required to be used pursuant to this paragraph by (2) 365. The Interest Coverage Rate utilized for each Weekly Rate Period in the above described calculation shall not be less than the rate specified by the Remarketing Agent to the Trustee for the Series 2006 Bonds in each particular Weekly Rate Period as the maximum interest rate at which the Remarketing Agent will remarket the Series 2006 Bonds in such Weekly Rate Period, which may not be less than the current interest rate or rates borne by the Series 2006 Bonds in such Weekly Rate Period. The Interest Coverage Period utilized for each Weekly Rate Period in the above described calculation shall not be less than the sum of 48 days, plus any additional number of days then required by any Rating Agency then maintaining a rating on the Series 2006 Bonds entitled to the benefit of such Credit Facility. Each Credit Facility shall provide that such Credit Facility may not be terminated until five days after any draw thereunder is made on a Renewal Date, Substitution Date or Fixed Interest Rate Conversion Date.

If a Confirmation is in effect, the Trustee shall first draw upon the Credit Facility in accordance with its terms as described in the Second Supplemental Indenture. If the Credit Facility Issuer does not make the payment under the Credit Facility in accordance with its terms, then the Trustee shall draw upon the Confirmation in accordance with its terms at the times required by the Confirmation. In no event shall the Trustee draw upon the Confirmation to make (i) any payment of principal of Bank Bonds, Series 2006 Bonds bearing interest at an Adjustable Long Term Rate or a Fixed Interest Rate, or Series 2006 Bonds owned by the Corporation or the Authority, or (ii) any payment of interest on any Interest Payment Date on Series 2006 Bonds which as of the Record Date for such Interest Payment Date were Bank Bonds or Series 2006 Bonds bearing interest at an Adjustable Long Term Rate or a Fixed Interest Rate.

The Trustee shall draw moneys under the Confirmation in accordance with its terms and in accordance with the Second Supplemental Indenture to the extent necessary to pay the Bondholders the Tender Price of Tendered Series 2006 Bonds. Immediately following each drawing under the Confirmation, other than one to pay principal of and interest on the Series 2006 Bonds on an Interest Payment Date or Maturity, and not as a condition to such drawing, the Trustee shall use its best efforts to give telephonic notice to the Corporation that such drawing under the Confirmation was made. The Trustee shall return any moneys drawn under the Confirmation to the Confirming Bank by wire transfer as soon as reasonably practicable on or after the applicable Tender Date to the extent such moneys exceed the amount necessary to pay the Tender Price of the Tendered Series 2006 Bonds.

If the Series 2006 Bonds bear interest at a Weekly Rate and an existing Confirmation is confirming an existing Credit Facility, then the Corporation has covenanted not to cancel the Confirmation then in effect unless the Corporation notifies the Trustee of its intent to establish an Optional Confirmation Termination Date and satisfies the conditions described below. In such event, the Corporation shall submit to each Rating Agency then maintaining a rating on the Series 2006 Bonds notice of the intent to terminate the existing Confirmation on the Optional Confirmation Termination Date and each such Rating Agency shall give notice to the Trustee at least **[15]** days prior to the Optional Confirmation Termination Date as to the rating, if any, that will be assigned to the Series 2006 Bonds by such Rating Agency after the Optional Confirmation Termination Date.

The Confirmation then in effect may only be terminated on the Optional Confirmation Termination Date if the provisions for mandatory tender for purchase of the Series 2006 Bonds described in the Second Supplemental Indenture are complied with. In addition, the Confirmation then in effect may not be terminated unless, if then required by the Confirmation, all amounts owed to the existing Confirming Bank under the Confirmation have been paid in full. Following the Optional Confirmation Termination Date, the Trustee shall surrender the Confirmation then in effect to the Confirming Bank in accordance with its terms for cancellation as soon as such Confirmation is no longer required to be available to be drawn upon under the Second Supplemental Indenture.

The Corporation may at any time arrange for the deposit with the Trustee of a Renewal Confirmation in substitution for the existing Confirmation. A draft of such Renewal Confirmation, and appropriate information concerning the Confirming Bank which will issue such Renewal Confirmation shall be submitted by the Corporation to the Trustee at least 15 days prior to the date such Renewal Confirmation is to become effective. Any Renewal Confirmation must have an adequate interest component to comply with the Second Supplemental Indenture.

The Corporation may at any time arrange for the deposit with the Trustee of an Alternate Confirmation in substitution for the existing Confirmation. A draft of such Alternate Confirmation and a draft of any supplemental Indenture required to be executed in connection with the delivery of the Alternate Confirmation, and appropriate information concerning the entity which will issue such Alternate Confirmation shall be submitted by the Corporation to each Rating Agency then maintaining a rating on the Series 2006 Bonds, and each such Rating Agency shall give notice, promptly confirmed in writing, to the Trustee at least 15 days prior to



the date such Alternate Confirmation is to become effective as to the rating, if any, will be assigned to the Series 2006 Bonds by such Rating Agency after such substitution.

The Confirmation then in effect may be replaced by an Alternate Confirmation only if (i) the provisions for mandatory tender for purchase of the Series 2006 Bonds described in the Second Supplemental Indenture are complied with, (ii) prior to such replacement the Corporation shall have delivered to the Trustee, the Authority and the Confirming Bank an Opinion of Bond Counsel to the effect that such replacement will not adversely affect the validity or enforceability in accordance with their terms of the Series 2006 Bonds, (iii) prior to such replacement the Corporation shall have delivered to the Trustee, the Authority and the Confirming Bank an Opinion of Bond Counsel to the effect that such replacement will not adversely affect any exemption from federal income taxation to which interest on the Series 2006 Bonds would otherwise be entitled, and (iv) the Trustee shall receive an enforceability opinion and any other opinions required by each Rating Agency then rating the Series 2006 Bonds following the replacement from counsel for the Confirming Bank issuing the Alternate Confirmation. In addition, the Confirmation then in effect may not be replaced by an Alternate Confirmation unless, if then required by the Confirmation, all amounts owed to the existing Confirming Bank under the Confirmation have been paid in full and no Bank Bonds remain outstanding.

If at any time there shall have been delivered to the Trustee, in substitution for the Confirmation then in effect, either an Alternate Confirmation or a Renewal Confirmation, then the Trustee shall accept such Alternate Confirmation or Renewal Confirmation and shall surrender the Confirmation then in effect to the Confirming Bank which issued the Confirmation in accordance with its terms for cancellation as soon as such Confirmation is no longer required to be available to be drawn upon under the Second Supplemental Indenture unless such Renewal Confirmation is effected through the attachment of an exhibit or similar attachment to the prior Confirmation as permitted by the terms of such Confirmation. If the Series 2006 Bonds have been converted to an Adjustable Long-Term Rate or a Fixed Interest Rate, the Trustee shall promptly surrender the Confirmation then in effect to the Confirming Bank which issued such Confirmation in accordance with the terms thereof and of the Second Supplemental Indenture for cancellation. The Trustee shall promptly surrender any Confirmation after it expires in accordance with its terms. In the event of a mandatory tender of all the Series 2006 Bonds while in the Weekly Mode, the Trustee may surrender the Confirmation at the request of the Confirming Bank on the Business Day immediately succeeding the day the Confirmation is terminated. In the event of a partial optional redemption, the Trustee may take such actions as are required to reduce the amount which may be drawn thereunder so long as the requirements of the Second Supplemental Indenture continue to be satisfied.

The Trustee shall not sell, assign or otherwise transfer the Confirmation except to a successor Trustee under the Second Supplemental Indenture and in accordance with the terms of the Confirmation.

If the Corporation is required to have on deposit with the Trustee a Confirmation, the Interest Component of the Confirmation in an amount which shall not be less than the sum required for the related Credit Facility under the Second Supplemental Indenture. Each Confirmation shall provide that such Confirmation may not be terminated until five days after

any draw thereunder is made on a Renewal Date, Substitution Date or Fixed Interest Rate Conversion Date.

### **Rights of Credit Facility Issuer**

Notwithstanding any provision of the Indenture to the contrary if a Credit Facility has been provided for the Series 2006 Bonds, the Credit Facility Issuer shall be deemed the exclusive owner of the Series 2006 Bonds for the purposes of (i) execution and delivery of any amendment, modification, supplement or change of the Indenture, the Mortgage or the Series 2006A Note and (ii) the direction or right to consent to any action or remedy to be undertaken by the Authority or the Trustee at the request of the holders of the Series 2006 Bonds; provided, however, the Credit Facility Issuer shall not be deemed the exclusive owner of the Series 2006 Bonds for such purposes during any time which the following occur and are continuing:

(a) the Credit Facility Issuer is in default in its obligation to honor draws made under and in compliance with the terms of the Credit Facility;

(b) the Credit Facility for any reason ceases to be valid and binding on the Credit Facility Issuer or is declared to be null and void, or the validity or enforceability of any provision of the Credit Facility is denied by the Credit Facility Issuer or any governmental agency or authority, or the Credit Facility Issuer is denying further liability or obligation under the Credit Facility, in all of the above cases contrary to the terms of the Credit Facility; or

(c) any payment on the Credit Facility by the Credit Facility Issuer has been recovered from the Trustee or any Bondholder or is the subject of any claim for recovery not dismissed within 30 days after the making thereof due to the operation with respect to the Credit Facility Issuer of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, liquidation or other similar law of any jurisdiction, whether or now or hereinafter in effect; or

(d) the Credit Facility Issuer is dissolved or confiscated by action of government due to war or peace time emergency or the U.S. government declares a moratorium on the Credit Facility Issuer's activities.

## **APPENDIX E**

### **SUMMARY OF CERTAIN PROVISIONS OF THE CREDIT FACILITY AGREEMENT**

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## **SUMMARY OF CERTAIN PROVISIONS OF THE CREDIT FACILITY AGREEMENT**

Westminster Village Greenwood, Inc. (the "Borrower") has entered into a Reimbursement Agreement (the "Reimbursement Agreement") with Sovereign Bank (the "Bank" or the "Initial Credit Facility Issuer"), which constitutes a Credit Facility Agreement, as defined in the Indenture. Pursuant to the Reimbursement Agreement, the Borrower has agreed to reimburse the Bank for sums drawn on the Letter of Credit which is being delivered as the Initial Credit Facility. The Reimbursement Agreement also provides for commitment fees, drawing fees, transfer fees and other fees and charges. The Borrower's obligations under the Reimbursement Agreement are to be secured, pari passu with the Borrower's obligations in respect of the Series 1998 Bonds and the Series 2006 Bonds, by a mortgage lien in favor of the Trustee encumbering the Borrower's property in Greenwood, Indiana. The Borrower's obligations to the Bank will also be secured, pari passu with the Borrower's obligations in respect of the Series 1998 Bonds and the Series 2006 Bonds, by security interests in accounts receivable and other property of the Borrower.

The Reimbursement Agreement sets forth conditions to the issuance of the Letter of Credit and certain representations and warranties which are to be true at the closing date. Such representations and warranties include representations as to: due organization, legal existence and legal capacity of the Borrower; due corporate approval, execution and delivery of financing documents; enforceability of financing documents; no litigation; compliance with applicable agreements; payment of taxes; compliance with laws; obtaining licenses and permits; no violation of Regulation U; lack of encumbrances; accuracy of financial information; no material adverse changes; no ERISA violation; no burdensome contracts; principal place of business of the Borrower and location of collateral; no violation of fraud and abuse laws; qualification to participate in third party payor programs, as necessary; no set-asides for welfare or low-income residents; no restrictions on rates, except as disclosed; schedule of charges; no material rate appeals; accuracy of cost reports; no material recoupment claims; delivery of inspection reports; environmental matters; no casualty or condemnation; no adverse easements or restrictions on the Borrower's property; utility services and access to the Borrower's property; no flood zone; no violation of intellectual property rights; solvency of the Borrower; and accuracy of information furnished.

The Reimbursement Agreement also contains affirmative and negative covenants and reporting requirements. Affirmative covenants of the Borrower include: payment of amounts due to the Bank; payment of taxes, charges and other obligations; maintenance of insurance; maintenance of the Borrower's legal existence and qualification; compliance with laws; obtaining and maintaining licenses and permits; the Bank's rights of access and inspection; maintenance of proper books and records; maintenance and repair of property; rate covenant; continued conduct of business by the Borrower and a prohibition against the Borrower undertaking new lines of business; maintenance of certain relationships with the Bank; providing further assurances; maintenance by the Borrower of a debt service coverage ratio of not less than 1.25 to 1, tested quarterly; maintenance of not less than a prescribed number of days' cash on hand, tested semi-annually; requirement that not less than 15 of the new independent units be subject to residency agreements or qualifying pre-sales contracts; outside dates for achieving completion of construction of the project and achieving Full Occupancy (as defined); requirements for reports and corrective plans upon default and under certain other circumstances; requirement for replacement of marketing agent and/or manager under certain circumstances; maintenance of a debt service reserve fund in an amount equal to not less than 12 months' maximum debt service; maintenance of competent management; compliance with the Bank's disbursement requirements; maintenance of interest rate protection; requirement for updated appraisals under certain circumstances; and requirement for annual bond redemptions in designated amounts. Negative covenants include: limitation on further indebtedness, subject to exceptions and baskets described therein; limitation on further liens, subject to exceptions described therein; limitation on guaranties, subject to exceptions described therein; prohibition against dissolution or merger and limitations on asset dispositions as described therein; prohibitions against factoring; limitations on loans to other persons and investments in other persons, subject to exceptions described therein; prohibition against asset write-ups and changes in fiscal year or in accounting principles (unless the Reimbursement Agreement is appropriately amended); prohibition against change in principal place of business or location of assets, change in name, legal structure or jurisdiction of incorporation or other similar changes, unless the Bank is given notice and such documentation as it may require in order to protect its security interests; prohibition against sale-leaseback transactions; limitations on formation of subsidiaries, investment in subsidiaries and membership in partnerships; limitations on transactions with affiliates; requirements relating to environmental hazards; prohibition against changes in management contracts, development contracts, residency agreements and other contracts affecting the project; limitations on payment of distributions and repayment of subordinated debt;

limitations on development and other fees; prohibitions against violation of Medicare/Medicaid laws; prohibition against becoming a subsidiary of any entity; limitations on capital expenditures; and no violation of Regulation U. Reporting requirements include requirements to furnish: annual audited financial statements of the Borrower; quarterly management-prepared financial statements; quarterly and annual compliance certificates; annual operating budget; management letters; notice of default; notice of material litigation; copies of healthcare inspections and regulatory filings; notice of ERISA violations; notice of environmental violations; notice of change in accountants; notice of loss or threat of loss of material permits; notice of material loss or casualty damage; notice of material labor problems; notice of other adverse developments; and such other information as the Bank may reasonably request.

The Reimbursement Agreement also sets out certain Events of Default. These include: (i) failure to pay; (ii) failure to observe certain affirmative covenants (including covenants relating to taxes, insurance, legal existence, compliance with laws, observance of financial ratios, required pre-sales and occupancy, timely completion of the project and achievement of full occupancy, delivery of remedial plans, maintenance of debt service reserve fund, use of entrance fees, maintenance of interest rate protection and annual bond redemptions), as well as failure to comply with any of the negative covenants or reporting requirements; (iii) default under any other covenant for 30 days after notice; (iv) failure of any representation or warranty to have been true in any material respect; (v) cross-default to other agreements now or hereafter made by the Borrower with the Bank; (vi) cross-default to any subordinated debt and to other indebtedness of the Borrower in excess of \$100,000; (vii) dissolution of the Borrower or bankruptcy, reorganization or similar proceedings affecting the Borrower or any of its subsidiaries, other than involuntary proceedings dismissed within 60 days; (viii) any execution or similar process in excess of \$100,000 remaining outstanding against the Borrower for 10 days; (ix) material ERISA violations of the Borrower; (x) material uninsured loss, theft, damage or destruction suffered by the Borrower or loss or threatened loss of licensure; (xi) unenforceability of financing documents; (xii) any loss of perfection or priority of the liens of the Trustee securing the obligations owed to the Bank; (xiii) final uninsured judgments in excess of \$100,000 against the Borrower; (xiv) occurrence of material adverse change; (xv) cross-defaults to Indenture and other agreements; and (xvi) any material environmental problem.

Upon the occurrence of an Event of Default under the Reimbursement Agreement, the Bank may, among other things: (i) direct the Trustee to cause a mandatory redemption of the Series 2006 Bonds; (ii) with the direction of the holders of 25% in aggregate principal amount of Series 1998 Bonds and the Series 2006 Bonds (the Bank being deemed to be the holder of the Series 2006 Bonds), direct the Trustee to accelerate the Series 2006 Bonds and the Series 1998 Bonds; (iii) accelerate any reimbursement obligations then outstanding; (iv) subject to the intercreditor terms applicable to the mortgage, direct the Trustee to enforce its rights under the mortgage and related documentation; (v) enforce its rights against the Borrower through legal action; (vi) exercise other remedies under applicable law or other agreements; and/or (vii) give notice of non-reinstatement of the interest component of the Letter of Credit.

The Reimbursement Agreement also contains provisions as to the Bank's right (but not obligation) to cure certain defaults of the Borrower; indemnification of the Bank by the Borrower; amendments and waivers; notices and other miscellaneous provisions.

The Bank and the Borrower may, from time to time, amend the Reimbursement Agreement without notice to, or consent of, the Trustee or the Bondholders.





# GREENWOOD VILLAGE SOUTH



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